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DECEMBER / 1958

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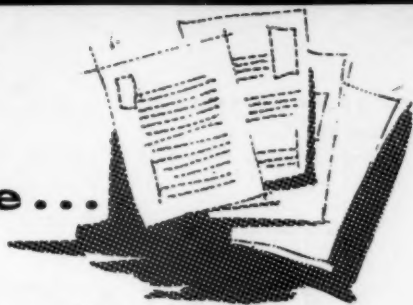
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in this issue . . .



- **Talent for Tomorrow.** How can the average company get its fair share of "blue chip" personnel—people in such fields as research, product development, and engineering, who can initiate and develop the new ideas that will be necessary to keep an organization competitive? Some practical answers can be found in this month's opening article, *How to Attract and Select Creative People*, by HARLEY IAMS.
- **Memos and Management.** Next to the spoken word, memos are the most commonly used medium of communication within a company. But a look into any executive IN-box will show that they are too often unnecessarily verbose, obscure, and boring. PILSON W. KELLY's article, *Memos that Get Across* (page 10), offers some pointers on a neglected art.
- **The Payoff on PR.** The corporate image is a valuable property, yet company efforts to protect it often fall wide of the mark, according to WILLIAM PAYETTE, Asst. General News Manager and member of the board of directors of United Press International (*PR and the Corporate Image*, page 21). Mr. Payette is in an unusually good position to write on this subject, since he is not only responsible for his own organization's public relations program but, as a newsman, is constantly exposed to other companies' PR efforts—good, bad, and indifferent.
- **We've solved our Christmas gift problem . . .** and yours, too, we hope, with *The Management Review's Gift Catalogue*—for the executive who has everything. Featuring an array of truly unusual executive gift items (what other magazine offers you an Upsy-Daisy Status Booster Kit?) the catalogue, on page 18, is our way of wishing our readers all the best of the holiday season.

—THE EDITORS

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How to Attract and Select *Creative People*



■ **Harley Iams**

Hughes Aircraft Company, Culver City, California

IN THIS ERA of rapidly changing technology, few organizations can afford to be without the creative personnel who can initiate and develop the new ideas that keep a company competitive. But creative people cannot be attracted by putting a candle in the window and expecting them to come fluttering in like moths. They must be hunted, identified, and persuaded to join your company—and the process may be a long and difficult one.

Take, for example, those whose creative bent lies in the area of technical research and development. Although there are perhaps a million or two technically trained people in the country, only a small fraction of them will have their training in fields of interest to your company. Some of these will be eliminated by reason of lack of appropriate experience, lack of creativity, location of the job, and by other factors. In the final analysis, the person you are looking for may be one of a fairly small group—and this man probably isn't looking for a job.

With a problem as difficult as this, it is necessary to find ways

to minimize your effort and maximize the probability of success. It is important to decide at the outset just what kind of man you are seeking. Aside from the obvious matter of deciding what kind of training he should have had, considerable thought should be given to the question of what kind of creativity is desired. A man who recently applied to our company for employment has been doing research work with his present company and has devised a new kind of rectifier that, he believes, could be marketed at a profit. But his company doesn't want to sell rectifiers, and the man doesn't want to work on anything else—so there is a mismatch between the creativity possessed by the man and the creativity desired by the company.

To give another example, an outstanding man may receive a Nobel prize in physics for the discovery of some new elementary particle. There is no doubt that work of this kind is of tremendous importance as far as the future is concerned, but many companies could not afford to support a man of this ability until his cost is repaid with profits from his discoveries.

These two examples emphasize the importance of deciding exactly what your company expects of the man it is seeking. Now—how will you recognize your ideal if you find him? Unfortunately, there are no simple tests that will positively separate creative people from the general population. Many such people are unusually alert, but some of them appear quite dull. Many of them have a variety of interests, such as music, photography, writing, or astronomy; others concentrate on only one field. Some were outstanding in scholarship when they were in school; others received only average grades. In the instance of the fellows of one professional society, roughly 6 per cent have no college degree: 28 per cent have a bachelor's degree, 32 per cent a master's degree, 34 per cent a doctor's degree, and 7 per cent an honorary doctor's degree. Perhaps the best evidence of future creativity is past creativity; Shakespeare wrote more than one good play, and Edison invented more than the phonograph.

SOURCES OF CREATIVE PERSONNEL

There is no one place to look for creative people, and generalities are not of much use in identifying the small number any one company will deal with. All possible means should be used in the

search for outstanding people. Even then, it may take several years to find and get one exceptional man for a key job.

Advertising

A logical part of the campaign is the use of advertising. If your company is located in a large city, or if there are other local companies that do work similar to yours, advertising in the local papers may be worthwhile. Consider advertising in the newspapers of the cities where special skills can be found, as well as in the magazines published by professional societies, which are often good sources of contacts. Although it is certainly worth advertising, one should not expect too much from it. So many companies are advertising that the competition is severe; it is likely that few of the replies will be from particularly creative people.

Referrals and Convention Recruiting

The employees of your own company can sometimes assist in recruiting; they may have friends or relatives who would become valuable employees. But one must be aware that, in their enthusiasm, it is easy for friends or relatives of a prospective employee to overestimate his potentialities.

Conventions of professional societies are the scene of considerable recruiting activity. Whether this would be the case in an ideal world is difficult to say, but many companies do find worthwhile employees in this way.

Academic Contacts

Probably the best sources of creative people are the universities and colleges. It is natural that this should be the case, for creativity depends not only upon imagination and hard work, but also upon training. The professors who have trained men take pride in their accomplishment and wish to see their students employed in the most satisfactory possible way. Many of them will not only discuss the capabilities of the present graduating class but will also indicate which of their former students would be best able to handle a particular position. (Twenty years after graduation, I received a job offer that came over this particular route.)

Close contact with colleges and universities is desirable not only

for the advice the professors can give, but also as a means of training people who may already be employed by your company. In this search for creative people, one should not overlook existing employees who have the ability, but who lack training.

The desired contacts can sometimes be made through the giving of a scholarship, or by setting up a university research program in a field of interest to your company. It occasionally happens that a graduate student will both supply the idea you are looking for at the moment and become so interested in the topic that he will wish to become employed by your company after graduation.

Retired and Separated Employees

Some large companies require their employees to retire at 65 years of age. Many of these men are still productive; most of them are well acquainted with the outstanding professional workers in their field of endeavor. As a full-time employee or part-time consultant, such a "retired" man might be able to help you build your staff.

If you have had a creative man who left your company, it might well be worthwhile to write him a letter and invite him to discuss the possibility of returning. Some surveys have indicated that a fair percentage of former employees would be willing to return under the right circumstances—and the men who do come back after discovering that other pastures are not quite so green are likely to be loyal employees.

Some companies also use consultants to help them find key employees, and many managers seem well pleased with this method of recruiting.

EVALUATION AND SELECTION

Let us say that, by use of several or all of the methods mentioned, a number of prospects have been located. The problem now becomes that of selecting the most creative people from the group of candidates.

Some employers place considerable emphasis on the letter of application, although the style of writing, spelling, and even the clarity of expression are seldom very dependable indications of creative ability. And the description of former jobs is at times so

convincing and impressive that the employer is tempted to offer the applicant the presidency of his firm. Among the material submitted, evidence of former creativity may be displayed by patents, publications in recognized technical journals, awards, and outstanding accomplishments. Outside interests should also be explored for evidence of original work.

Undoubtedly some interviewers are better able to appraise applicants than others. In many cases, the man who appears creative actually proves to be so, but this is not always the case. (The most creative man I ever hired did not show it in the interview; he was hired because his college professor told us about him.)

References: Written and Oral

It is customary to ask job applicants to give the names of references, or to attach letters from these references. Most of these letters are of little value in appraising the candidate; the chief engineer of the company where the man formerly worked, for example, may be only casually acquainted with the man he is writing about.

This does not mean that all testimonials are without value. One of the best ways to obtain an accurate evaluation of a candidate is to telephone the men to whom the applicant reported in former jobs in order to bring out by questioning the most complete possible story of the man's performance. The former supervisors will feel freer to give information verbally than they would if it were in writing, and they are often able to suggest how the man's abilities can be used to best advantage.

Aptitude and personality tests are used by some companies. The consensus of opinion seems to be that such tests are useful in confirming conclusions previously drawn, or in suggesting lines of inquiry to bring out facts not fully disclosed, but they cannot be depended upon as the sole basis for evaluating a prospective creative employee.

ATTRACTING THE CREATIVE EMPLOYEE

By one means or another, we have found several candidates for the job opening and have selected one or two that we would like to employ. While this process has been going on, the applicants

have also been evaluating the company and have perhaps decided what their response would be in the event that a job were offered to them.

Creative people are attracted to a company for the same reasons that any other people are: It is necessary that the salary offer be attractive, that working conditions be satisfactory, and that opportunities for advancement exist.

Everyone has his own particular desires and ambitions. From the letter of application and from the interview, it will be possible to judge how your company can best attract this one individual. If you are located in a large city, the possibilities for further education, contacts with professional societies, attendance at cultural events, etc., might be brought out. Some creative people are interested in golf, skiing, boating, or gardening; life in a small town might be just what they have been looking for. All families with children are interested in the quality of local grammar schools and high schools; this consideration is sometimes the primary factor in a decision about employment. In other cases, the applicant may wish to live within convenient driving distance of his family or relatives. The possibility of stock participation will attract some of the men. In a number of cases, the broad experience typically available in a small company will be more attractive than the relatively narrow assignments given in some large companies.

If your company management is known to be progressive and if the employee can be offered the opportunity to make contributions to the growth and management of the organization, this may be a potent factor. Many creative people have a desire for freedom to make their own choices; whatever opportunities exist in your company for men with leadership ability should be made clear to prospective employees.

THE NEED FOR CREATIVITY

When all these aspects of the problem are considered, it becomes clear that attracting and selecting creative people is a task that calls for diligence and hard work. Nevertheless, it is one that must be undertaken, for the new ideas developed by creative minds can be the most important factor determining corporate success or failure in today's changing and highly competitive business world. ♦

■ **Pilson W. Kelly**

Ford Instrument Company

Division of Sperry Rand Corporation



MEMOS THAT GET ACROSS

Some Pointers on a Neglected Art

THE MODERN BUSINESS WORLD generates written communications at an unparalleled rate, and few of us would deny that much of what we must read—and unfortunately, much of what we write—is unnecessarily verbose, obscure, befuddling, and boring. In short, most of us still don't know how to communicate effectively via the written word.

The managers of any company have to let others know what they're thinking and doing, and in today's complex businesses oral communications are no longer capable of doing the job. The vital link in the orderly guidance and control of any enterprise today is written intracompany communications. But even though many companies have some clever and effective kinks and techniques of communications, there are few firms in which written communications as a whole couldn't be considerably improved.

WRITTEN COMMUNICATIONS

Most companies operate somewhere between two extremes. At one end of the gamut everything is done on the telephone, and nobody can prove anything. At the other end, the four-page typed memorandum with 16 copies is standard. Beyond question, the

telephone method is inadequate for the complexities of modern business, even if there were not the necessity of quickly producing proof satisfactory to many kinds of examiners, sometimes years after the event. Under the elaborate typed-memo system, however, complexity wears out intellect, and determination of the simplest things places the executive at the mercy of a file clerk.

One large firm engaged in complicated manufacture found an effective middle ground. Whenever possible, typewritten memos were limited to one page, preferably double spaced; oral evidence was outlawed; and an "A.V.O." (avoid verbal orders) pad was supplied to all supervisory employees. This is a printed pad of thin paper, 5" x 8½", with lines for date, addressee, copy recipients, subject, reference serial number, message, and the sender's signature, with perforations for tearing out sheets, and with a few sheets of good carbon paper. A copy of each message remains in the book. With such an effective means readily at hand, it soon becomes second nature for people to communicate in this way, confirming telephoned data received and transmitted. A red check on each finished transaction enables the uncompleted jobs to be seen at a glance. This method operates very satisfactorily, greatly reducing the number of typed memos, making proof habitual and immediately available, and speeding the communications contribution to control.



The telephone is inadequate for the complexities of modern communications.

THE MERITS OF INK

Confucius reminds us that the palest ink is more reliable than the most retentive memory, and we have it on the word of Francis Bacon that, just as reading makes the broad man and speaking the ready one, writing makes the exact man. There is evidence that the habitual writer in ink becomes even more exact and free from error, since the difficulty of erasure operates as a coercion on the mind and hand to write precisely and accurately. There is a natural

tendency to brevity for the same reason, and an inclination toward organization of thought and orderly presentation.

THE MECHANICS OF BREVITY

There seem to be fashions in executive thinking, and recently courses in rapid reading have been enjoying a vogue. Men announce with pride that they have increased their reading speed from 100 words per minute to 600. It sometimes seems that it would be a more useful accomplishment for them to train their assistants to write concisely.

The classic illustration of written brevity concerns the young king of antiquity who ordered a compilation of the history of man prepared for his guidance. The first edition, consisting of 20 camel-loads of books, found the king engrossed in warfare. The next edition, condensed after years of work to a single thick volume, found the king too ill to read; but just before he died, a herald jumped off a foam-flecked horse with the final condensation: "The history of man is that he was born, he suffered, and he died."

In much more recent times, there was a more fortunate disciple of brevity, the ruler of a modern financial empire. He had the quaint habit of allowing into his office only those assistants who carried but one sheet of paper; and if the sheet was habitually a small one, the old gentleman would take the assistant with him on his tour of learned societies and present the assistant to the mighty of the earth as "my associate." This system paid off, both ways.



Brevity is a rare virtue among business memo writers.

Another titan of kindred spirit, a past president of the American Bankers Association, had the unusual habit of using

stationery measuring $3\frac{1}{2}$ " x 6". He claimed that most of the fortune his heirs would receive stemmed directly from this compulsion

to write clearly and succinctly—and from the things he hadn't written during his lifetime due to lack of space.

These are examples, extreme perhaps, of what can be done in the direction of brevity, but possibly the best guide to the mechanics of brevity is the newspaper editor's standard admonition: Who, what, when, where, how, and why? By confining your memo to the answers to these questions, you can be sure you are transmitting all the vital information without bogging down your communication in superfluous verbiage.

Another way to insure brevity is to number the points of the message consecutively. When you find you have reached number 7, unless the deal amounts to millions of dollars, it is a good sign that you are probably being unnecessarily long-winded.

SOURCES AND METHODS OF CLARITY

Clarity seems to have three phases: organization, medium, and avoidance of the message without a meaning. A failure in any of these areas can result in confusion, misunderstanding, or a total lack of communication.

Organizing the Memo

Here is one method of organization that has proved successful for many managers:

1. On a separate sheet, but clearly written, code the general field of the message—contract, job, customer, plant, account, department, and the like—so that the reader can focus at a glance on the subject of your memorandum without carrying on an extended hunt through the text.

2. Next, on the same sheet, state the problem and underline exactly what you wish to accomplish. If there is something particularly not wanted, indicate that and underline it, also.

3. Then, for your own use, list the elements of the problem and decide on an order of presentation, depending on the nature of the problem—chronological (time of occurrence), geographical, order of importance, or some other natural division, such as mechanical or electrical—and recast the elements of the memo in this order.

This may seem involved, but habit soon makes a two-minute job

of it, and it will save a great deal of time when you start to write the memo.

Writing the Memo

The best medium in which to write the memorandum seems to be a neglected and unappreciated branch of our language, the Saxon words. There is seldom any doubt about the meaning of Saxon words, but wars have been fought over the meaning of such Latin words as "reasonable," "judicious," and "beneficial."

It is interesting to note that we were robbed of our regard for, and use of, the Saxon words by a political accident about 900 years ago, after the Norman conquest of Britain. Everything Norman became fashionable and preferable and everything Saxon was down-trodden, including the words. This influence, in lesser degree, is still with us. But if you wish to write a clear memorandum, try jettisoning most of the Latin words and substituting the Saxon.

Another effective medium of clarity is the use of the topic sentence—the first sentence of each paragraph that contains the gist of the entire paragraph. This method was perfected by Edmund Burke, the British parliamentarian of American revolutionary times, and it is possible to derive a correct understanding of his thought by reading only the topic sentences.

All but the briefest memos should have a short summary, and it is frequently helpful to put the summary first. It may tell the reader all he wants to know. (There is the added consideration that by the time men become really important, their eyesight often isn't what it used to be, and they appreciate such a thoughtful convenience.) If action is requested of the addressee, this should be clearly marked at the end of the memo.

Sources of Obscurity

Turning to the avoidance of the message without a meaning, which is more common than we would like to think, there seem to be three chief pitfalls.

The first is reliance upon a referenced document to make the memo's meaning clear: *Reference, Memo Jones to Smith, 10 June, last year.* The recipient is hogtied without the referenced memo, which may not be found without some hunting, and a reasonable

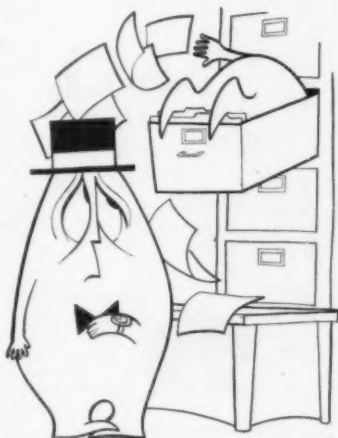
man could be pardoned for by-passing the matter to work on something that makes sense by itself.

Another source of obscurity is failure to operate in the language of all concerned. Don't write casually to lawyers about the redundant free transient in the grid circuit, nor to accountants about the pearlite in the left front finneganpin bearings, nor to engineers about obscure and far-from-evident sharp corners in the accounting system or in governmental procedure.

A third enemy of clarity is the use of erudite-appearing provincial expressions. Except in the field of international diplomacy, where the main purpose of language often is to conceal thought, this habit invariably hinders or blocks communication.

Engineers in recent years have become accustomed to using "psi" for pressure in pounds per square inch, but to other men this is still a Greek letter.

Imposing such obstacles as this can only detract from laymen's understanding. The price of such pretence at erudition is usually total loss of meaning. Latin tags without translation have the same irritating consequence.



Obscure references may put your reader at the mercy of a file clerk.

INCENTIVES TO BETTER COMMUNICATIONS

One of the great industrial discoveries of the early part of the 20th century was the importance of incentive in getting things done. Why, in a world of mediocre memos, should a man strive for improvement? One reason is that the most inconsequential papers often become surprisingly important. In high-level conferences, in governmental hearings, and even in courtrooms, it is noteworthy how often the battle centers around some ordinary-looking paper that nobody ever considered unduly important.

One denizen of the jungles of Wall Street had a simple and effective way of impressing these things on his assistants. Every once in a while he would select a memo, received in the usual



The most inconsequential papers can become surprisingly important.

course of business, and have it printed in the firm's respectable house bulletin. And he would not hesitate to send a report of general interest to any of a hundred editors he knew for publication. Only a very careless man ever turned in to him any piece of paper that wasn't his very best, because no one ever knew what the president was going to do with it.

On a smaller stage, any department head can provide some incentive toward memo improvement by occasionally tacking a good example he has received onto the bulletin board—"for men will do for honor what they'd never do for gold."

TONE OF THE MEMO

Written communication necessarily lacks certain elements of personal contact—attitude, facial expression, gesture, tone of voice, and the like—and a good memo should have a "tone" to mitigate these deficiencies. There are simple ways of accomplishing this end.

Tact is of vital importance. Since the purpose of the memo is usually to impart information or convince the reader, avoid anything that will interfere with this object by antagonizing him unnecessarily. Don't insult his intelligence by implying he knows nothing about the subject—even if it is true.

The occasional use of such terms as "it appears," "evidently," "as you know," or "as Mr. Jones has made so clear" will make the memo less likely to appear didactic and offensive.

Writing in the third person may also help; many good writers pride themselves on never using the personal pronoun "I" in their work, feeling that this type of self-effacement will put the reader in a more receptive mood.

The ideal is in sight when one can present cogent, original thoughts as though they were things that the recipient might possibly, though not necessarily, have momentarily forgotten. Remember that tact is the process of choosing among your thoughts. And don't forget Rule 6 of the British Navy: "Thou shalt not take thyself too seriously."

It may help to give a good impression if the memo writer will bear in mind the last step on a check list commonly used by candidates at C.P.A. examinations. Before releasing your paper, examine it from this viewpoint: "Can this be me writing anything so foolish?" Sometimes the answer is yes.



A tactless approach will needlessly antagonize your readers.

And, finally, you might test your memo against a gauge employed by a former president of Stevens Institute of Technology: "What do we have now that we didn't use to have?" ♦

No Lag in R&D Spending

INDUSTRY EXPENDITURES for research and development in 1958 will end up equaling or exceeding 1957 totals, judging from a recent survey made by the National Industrial Conference Board. Fifty-nine of the 140 firms surveyed reported that this year's research outlays will be higher than last year's, and another 50 companies expect to equal their 1957 total. The remaining 31 companies anticipate cutbacks in research spending from 1957 levels.

The survey clearly showed that companies are making serious efforts to improve management control of research activities. For example, formal research and development budgets are now used to control expenditures in 71 per cent of the surveyed firms. These budgets generally involve detailed breakdowns of authorized research costs. Seven of every ten responding companies have set up formal review procedures to "consider and evaluate research proposals prior to their adoption," and many companies conduct reviews at specified intervals.

MANAGEMENT REVIEW'S

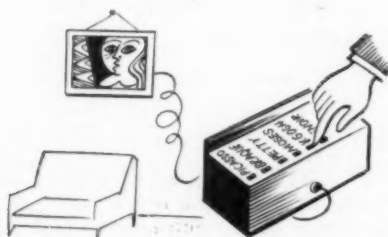
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For the Executive Who Has Everything



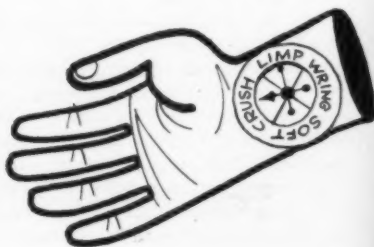
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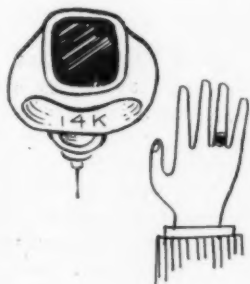
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WHOOOPS-MY-DEAR EJECTION SEAT.

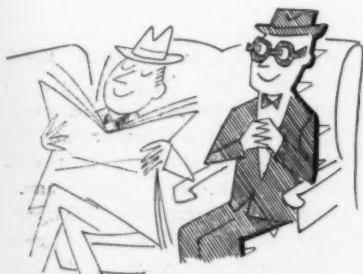
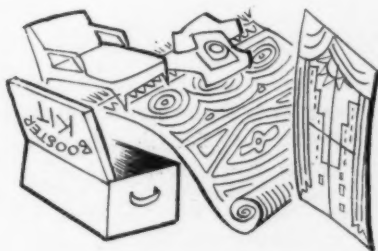
Why be troubled with long-winded nuisances? Speed the departing guest with this handsome, spring-powered ejection seat. In rich mahogany or polished walnut. Specify push-button or foot-treadle operation.



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UPSY-DAISY STATUS BOOSTER KIT.

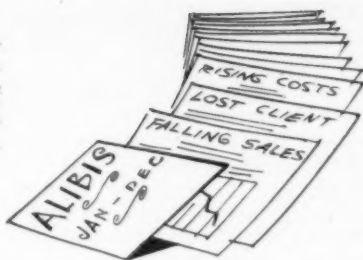
You'll wonder how you ever got along without one. 21-piece starter set includes dummy second telephone, extra-low visitor's chair, rent-a-rug privileges, and decal of window, complete with venetian blinds and city or country view.



MY-BUDDY CONVERSATION DISCOURAGER.

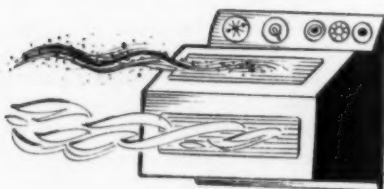
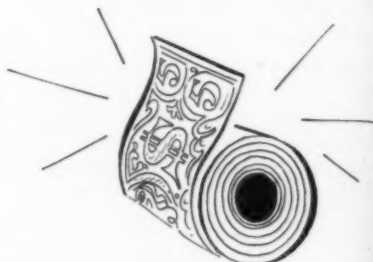
Ideal for commuters. This full-size, gray-flannel-clad dummy occupies the seat next to you, successfully discourages unwanted companionship, dull conversation, insurance salesmen.

ALIBI-OF-THE-MONTH CLUB. Subscribers to this unique service receive the plausible new alibi of their choice every month. Dividend alibi with every third selection.



YACKETY-YAK SMALL TALKER. No need to lapse into a sullen silence when you meet your associates at the elevator. Tiny transistor tape machine transmits time-tested cliches and small talk directly to an inconspicuous earphone. Automatically set into operation by the words, "Fine, thanks—how are you?"

HEART O' GOLD COUNTERFEIT MONEY. For office gift collections. Insures your reputation as a prince of good fellows.



ARRIVEDERCI CONFERENCE TERMINATOR. This unique import is guaranteed to rout the most determined conference hangers-on. Replaces clean air in seconds with stale, smoke-filled smog, simultaneously raising room temperature by as much as 25 degrees. Thousands now in use. ♦

A NEWSMAN'S VIEW:



■ William C. Payette

*Assistant General News Manager and Member, Board of Directors
United Press International, New York*

ONE OF THE FIRST PROBLEMS to come up for discussion in any new organization, and from time to time in established organizations, is whether or not to have public relations. And, of course, the answer is always the same: whether you like it or not, you are going to have relations with your public, and the only question is whether these relations will be good or bad. Public relations is the large aspect of external communications, and even in inactivity you are communicating something—perhaps apathy or animosity. The question, then, is not whether you can afford public relations; it is whether you can afford *bad* public relations.

The presence of a plant and of a work force in a community cannot escape notice. Being noticed, they cannot escape evaluation.

The author is responsible for his own organization's public relations program, as well as being a newsman who handles other companies' PR efforts daily. This article is based on a paper delivered before the 16th annual conference of the Merchants and Manufacturers Association in Palm Springs.

The problem, then, is to communicate to your public the things they need to evaluate these items correctly. Every employee and every act of your company is part of your external communications. Your employee's neighbors are going to form an image of your company not only by what he says but by the kind of man he is. The people with whom you deal are going to form their image by the way they are dealt with.

Since these communications are going on, with or without your help, it would seem sound to have someone in charge—at least someone charged with the responsibility of thinking about the possible effects of various courses of company action, and with the responsibility and authority to answer when questioned from the outside.

The corporate image is a valuable property. To illustrate briefly: Last October, what only recently had been the top-rated quiz show on television went off the air. The reason? Word got around that it was a fake. True or not, people stopped looking, the rating collapsed, the sponsor quit. The image was broken.

Most of us don't get results that quickly, but the process is going on constantly. About a year ago an automobile joke started circulating: A man drives into a service station in a big, shiny, new Blank automobile and says, "Fill 'er up!" Minutes pass. Finally, the attendant says, "Hey, gimme a break! Shut off your motor." You can't pinpoint the effects of this type of story as you can with the TV show, but last year this make of car fell out of the top contenders and wound up with a considerably reduced share of the market. Something had happened to the product image.

For tax purposes, every community wants industry. But they want it to be light industry, nonstrategic, odorless, noiseless, staffed entirely with executives, and preferably underground. It also helps if none of the personnel has children of school age. Any deviation from this pattern requires some explanation to the community, and this is your opportunity for good or bad external communications.

WHO MAKES UP THE PROGRAM?

First of all, who is in the PR program? Without any doubt, the answer is that everyone is. No unworthy, ill-informed, or disgruntled employee is going to polish your image in his community.

No executive who refuses to take counsel on the adverse external effects of what seems to be a good internal move is going to preserve the image. And sharp practices or lack of integrity are going to attach themselves to the image as surely as night follows day.

Since the source of good or bad communications is so fundamental to the enterprise itself, it is important to decide who is to be in charge of the program. He must be a man of sufficient stature to command the attention of his peers at the policy-making level. He cannot be someone paid to "fix up pieces for the papers." Nothing is more frustrating to a sound program than the conception that policies and communications are things apart. Sound external communications start on the policy level, and they start there with a sound man who knows the field.

Of course, the chief executive would be foolish not to convince himself of his expert's qualifications before turning over the tiller. But both the program director and sound policy can be frustrated by a chief executive who feels that some achievement in visual and verbal skills makes him a communications expert. Too much looking over shoulders has enfeebled organizations. Our man, then, must have ability—and authority.

One of the arguments made in favor of retaining outside counsel—that is, a communications firm or public relations organization—is that it is not subject to domination by your firm. This again is a matter of integrity, and integrity is what you are looking for—whether your counsel comes from inside your firm or from an outside organization.

THE PUBLIC RELATIONS BUDGET

Any attempt to improve your communications takes money, even if it is only a minimal program involving the time one corporate executive spends thinking about the problem. It is doubtful that there are any pat formulas for arriving at a budget; it depends on the problem and what you are trying to accomplish.

Whoever the man in charge may be, he will have thought about the image you are trying to create and what you are trying to accomplish. At this point, he may have some ideas about specific approaches, with price tags on each. The most likely and most productive can be totted up, and a start made on these. This is a

much sounder approach than attempting to set aside a fixed figure and do a certain number of dollars worth of communicating. If a project is worthwhile it is worth paying for, but it is not worthwhile to think up projects to consume a budget. On the other hand, the budget must be under constant revision, to take advantage of particular opportunities or to drive through an unsuspected but rewarding breach that suddenly opens.

ADVERTISING AND PUBLIC RELATIONS

Advertising and public relations should not travel separate roads. Clearly, they should have the same objective. And just as your advertising can build a climate of acceptance for your salesman or your product, your public relations, in addition to doing both of these, can build a favorable climate for your advertising.

For the past year, there has been much speculation about the first jet flights across the seas. Articles have been written, commentators have discussed it. Now the first flight has taken place, and advertising on this subject is getting tremendous readership, partly because of the interest previously aroused.

A tire company developed what it thought was the safest tire built up to that time. Did it undertake an advertising program to announce this? Of course, but not until the way had been prepared. The public was made to be concerned about tire safety. A university was given a grant to study the subject, and its findings were reported from time to time. Most of the things they had found desirable in a safety tire had been incorporated in the yet-to-be announced tire. (It should be added that the studies and the findings were honest, uninfluenced, and in the public interest.) When the ads appeared, the public was aware that this tire filled the qualifications of a safety tire, and acceptance was immediate.

On the other hand, the cigarette people have been trying to do something about the cancer scare. They, too, have subsidized a study. The weakness in the study so far—from a newspaperman's point of view—is that the results are negative. Periodically, some other group announces a statistical study that seems to indicate that lung cancer and cigarettes are related. The cigarette companies' foundation then replies that their studies don't show that. It is a weak position, and one the industry is meeting by changing

the product mix. The public is switching to filters, and the industry is prospering.

THE CLIMATE OF ACCEPTANCE

At the moment there is a very favorable climate for the small car. Traffic, housing, and inflation are all on the side of the car that takes less of the street, the garage, and the purse. Whether the public can be persuaded to exchange one status symbol for another remains to be seen, but there does seem to be a trend in the direction of believing that it's chic to be thrifty—or efficient. The Rolls Royce automobile sells for a little over \$13,000. The Bentley, identical except for the distinguishing radiator, costs \$300 less. In England, where the climate favors understatement, people of substance drive a Bentley. We may be persuaded to that view here, with what could be a profound effect on industry.

In any campaign, there are predisposing factors to take into account or to take advantage of. In Los Angeles, for example, a manufacturer of catalyzers would find a climate favorably disposed to reading or hearing about devices to complete combustion and avoid the production of smog, or a producer of activated charcoal would find interest in the successful filtering of smog from the air. More and more, magazines, newspapers, and supplements are discussing man's pollution of his environment, and this creates a climate favorable to communicating information about products designed to prevent the pollution.

HOW NEWSMEN SEE IT

The newsman is the man through whom most companies must communicate. From this standpoint, the valid function of the public relations man is to act as an extension of the newsman—to be helpful. The man with originality, with ideas, and with integrity is always welcome. If he has a legitimate story to tell, it, too, will be welcome. If he hasn't, he shouldn't try to lobby it in. If there is nothing of interest in your operation, there's probably something wrong with it, and it won't last anyway.

There's a popular idea that newsmen can be influenced by entertainment and junkets. There is about as much validity to this idea as there is in other fields: If it is a means to get to know

newsmen and vice versa, it serves a purpose, but it won't get a poor story in print or keep a good one out.

It is worthwhile to get to know the media and the men who work in them. Know what kind of material the newspaper or the station or the magazine uses, know what man you must contact, and let him get to know you. When he has to find out something, it is going to be much easier for all if he believes in your integrity. Two things that will help him believe in it are these: (1) give the bad news with the good, and (2) don't ask for favors.

WORKING WITH COMMUNICATIONS MEDIA

Be available. A delay in getting your side of the story or your point of view may leave you unrepresented—and, in effect, misrepresented. If further information is needed, do your best to round it up from competent sources and pass it along. If the information is technical or detailed, brief the man who will have to supply it so he understands exactly what the reporter wants.

Keep media advised of impending breaks—good or bad. If you can do no better (for, say, competitive reasons), at least assure your media contacts that if and when what they suspect does develop, you will get in touch with them immediately—and then *do* it. Having the confidence of the media can save you and your company much agony and annoyance.

A knowledge of media deadlines is helpful, and it may be imperative. If you know, say, when your primary trade publication closes its forms, when the national newsmagazines close, when the big radio and TV news shows are, and when the deadlines of your major newspapers are, you are in a position to be of the most help to your organization, the media, and the public.

Handouts—those pieces of paper that generally contain paragraphs of prose in praise of a product—can be useful, but too seldom are they aimed at a specific community, a specific group of readers, or a particular public interest. The American Newspaper Publishers' Association puts out a regular bulletin reporting on free space-grabbing efforts that offer nothing to the potential reader. It is important to remember that the publication or the broadcaster is concerned with building his product, too, and he cannot do it without providing service for his ultimate consumer. He cannot

stay in business by printing things the lobbyists would like him to print.

HANDLING PROBLEM STORIES

There are, of course, problem stories. For a corporation, the most difficult seems to be the strike, although it is hard to see why this should be so. If you haven't a positive story to tell—if management's report to the public is unfavorable—you shouldn't have had a strike in the first place. When you do have a positive story, tell it fast and tell it clearly.

Generally speaking, labor moves faster and talks more readily than management, and we often find the company's side of a strike story untold in the first editions. In the recent automobile contract negotiations, for example, we found it far more difficult to get the management position than the union position. Industry officials seem to feel that it is better to say nothing unless they are forced to it. Union officials, while they don't go quite so far as the politician who doesn't care what you say about him as long as you spell his name right, definitely do like to make print. Moreover, most companies seem to prefer to make all statements in writing; unions don't seem to mind whether the statement is written or verbal. Flexibility when you are dealing with minutes—as news media are—can be a very important item.

During the steel strike of 1952, the union and management were meeting daily in New York. After each session, the media covering this story by word, picture, and newsfilm were pushing to get the information the public wanted. Session after session, the union had statements and reports to make, but management would say nothing. This, of course, presented an incomplete picture of an issue of primary concern to the entire nation. And the surprising thing is that after days of this management paid money for time on nationwide television networks to tell the story we would have been happy to tell for nothing.

Another vexing type of story involves important company personnel, who may be in the news because of some personal difficulties. The most damaging tactic in such cases is usually to refuse information. A far better method is to find out the facts behind the difficulty and report the matter whole. Any other course risks

the possibility of seeing a damaging story based on incomplete information.

The public interest and reader interest demand whatever information is available. A story must be written; full disclosure of the facts and the background will produce an accurate one, and it is far more likely to be a sympathetic one.

When communications involve legal matters, the lawyers usually prefer to have them in correct legal terminology. Unfortunately, however, this may not be comprehensible to the public with whom you are trying to communicate. Every effort should be made to produce a statement that says something, and that says it in understandable language. No publications of general circulation can print an involved or obscure story, so they must make their own deductions and try to clarify it for the reader. Relationships—and results—will be much happier if the story is clear when they get it.

PR—EVERYBODY'S JOB

Interviews and press conferences are much misused, and, from the newsman's viewpoint, many of them are a waste of time. When his time is wasted, so is yours, your important personage's, and your opportunity to say something to the public. Before initiating an interview or a conference, you should have an idea of what you expect to come out of it. The "How'd you like to come out and talk to so-and-so" type of thing is rarely productive unless there is a definite idea of why so-and-so should be talked to.

It may be worthwhile to have a dry run with your man to be sure that he has done his homework. Many important men find it difficult to go beyond yes and no in their replies, instead of taking the reporter's questions as leads to expand upon. And many also hesitate to give the reporter a valid and understandable reason for being unable to answer a question. Reporters are human, and if your man can show that he is, too, your communications may be off to a portentous start.

All in all, a great deal of the battle for effective public relations is won when all members of the organization, from employees to board members, realize that external communications is not just a diversionary annoyance. It is part of their job—an important part that has a direct bearing on the survival and growth of the company. ♦



How to Live with EXECUTIVE STRESS

By J. S. Felton

Condensed from Dun's Review and Modern Industry

TODAY'S EXECUTIVE is seldom his own boss. He must work through others, both above and below. He often has to solve complex business problems through group action—and solve them quickly. Because of this, he is exposed to many kinds of physical and psychological stress.

According to modern medical thinking, stress is the primary cause of illness. It's true that bacteria, viruses, chemicals, and physical strain are all agents of stress. But stress is also due to purely psychological causes, and these are probably the greatest threat to health.

Obviously, an executive cannot change his personality as easily as his grey flannel suit. Nor can he change the nature of his job. Must he, then, resign himself to emotional flip-flops and physical deterioration? What can he do, both on and off the job, to minimize the drain on his physical and mental health?

The standard advice to executives,

of course, is simply: "Relax." Unfortunately, it doesn't take into account the requirements of an executive job or the demands of a goal-driven pattern of living.

There are, nevertheless, things the executive *can* do to ease his tension and relax a bit. For example, he can change his pace. A better system may make it possible to do the job just as well, and without loss of effectiveness, but with less expenditure of effort. As someone has said, "If you're an executive, *be* one. Don't let the job boss you."

Several companies maintain retreats where, away from telephones, conferences, and social demands, executives can devote themselves to leisurely—yet stimulating and productive—discussions of company problems. Many return home refreshed—not because they had had nothing to do, but because they were able to concentrate their energies on creative thinking without the frustra-

Dun's Review and Modern Industry (August, 1958), © 1958 by Dun & Bradstreet Publications Corporation.

tion of constant interruptions and the strain of having to keep several balls in the air at once.

Vacations are advertised as the best means of relaxation, and so they are when properly used. But too often the vacationer who thrives on hard work comes home restless, bored, and worried about what has gone on in his absence. Executives might avoid such joyless holidays by splitting up vacations. Why not take brief breaks in spring, fall, and summer?

Though the word "moderation" may be as old as Aristotle, it's still a desirable ideal. *Some* eating, *some* drinking, *some* activity, *some* loss of sleep, but all in moderation, will leave a reserve for the next day. Dr. E. V. Allen has even suggested occasional fasting to offset excessive food intake. The meals served in executive dining rooms are often too high in calories, and a top management man rarely uses the company cafeteria where he might find less heavy, rich foods—and no alcohol.

An executive can't say no to all the demands of the community, but too many extracurricular activities are a waste of energy. He needn't attend every meeting of every group, every board, every committee. The sponsors will often be satisfied with his name on the letterhead.

Conversely, the job-tired executive, who has never taken any part in community activities, may find it diverting to work with one or two organizations in his spare time—providing he doesn't plunge into their programs with the same intensity he gives his job.

Even inside the office, he needn't be available all the time. An appoint-

ment system, for instance, discourages drop-ins who have little to offer and only take up time. One possible solution to the problem may be a competent assistant, who can handle minor communications, help organize his chief's work, and take care of the details.

One thing an assistant can't do is the boss's homework, and many executives think bringing home the work is part of bringing home the bacon. What are the pros and cons of executive homework, particularly as related to health?

On the positive side, an executive often finds that he accomplishes more at home, in a shorter time, where he is freer from interruptions and the working conditions are often pleasanter. Those who take home the lengthier documents and business reading matter do not find going through them at home a burden. It is often a form of recreation and provides a sense of accomplishment that may counteract the frustration of not being able to devote full attention to anything in the office.

For others, it may be bad practice. Since accomplishment does not always match intention, the briefcase may merely make the round trip with its contents unread. Where this happens, and the executive feels frustrated and guilty, he had better leave his briefcase at the office.

A final factor in upsetting health is the prospect of retirement. Few men who have spent a lifetime in productive work are happy at leaving it. The executive close to retirement may find himself bitterly resenting the company though he himself may originally have helped to set the re-

retirement policy. On closer view, he may find the opportunity for leisure less attractive than it once appeared.

The problem lies in adequate preparation. Many men have plans, but generally they are too diffuse or too impractical. There should be pre-retirement discussions with skilled advisers from many fields: the executive's physician, his investment broker, his real estate broker, his minister, and even a social case worker (there are some in private practice). The shock of retirement can be devastating, or it can be cushioned or even eliminated by the same kind of careful planning that the executive devotes to any of his other activities. And confidence in the future unquestionably helps to preserve health in the present.

It helps to take regular vacations and to minimize one's intake of deserts, drink, and tranquilizers. But the executive will never have a feeling of complete well-being without an understanding of human behavior—both his own and his associates'. He must have a genuine interest in discovering his own motivations and those of his staff, a sincere desire to lead and stimulate his group to greater productivity, and a wish to create a pleasant environment for them.

The executive must examine, and recognize for what they are, any unreasonable hostilities, as well as any feelings of insecurity that make him unwilling to hire capable people because they might threaten his own position. It is often best to "talk out" such difficulties with someone who will understand—his physician, his minister, a psychiatrist, or a group

of interested people on his own level.

With competent leadership by a clinical psychologist, a psychiatrist with industrial orientation, or an occupational physician well grounded in the principles of behavior, some group sessions have been extremely effective in helping executives review their problems with people.

With gentle questioning and a permissive atmosphere, such a meeting reveals the escapes, the defenses, the insecurities that might otherwise lead to emotional tension and illness and to group hostility. Insight into one's own mechanisms of behavior can bring a sensitivity to the feelings of others, an appreciation of the worth of all who contribute to the organization.

The last factor in health is the spiritual. Though many people refrain assiduously from defining their own personal philosophies, there are others who feel the need for some final meaning of life. Dr. Robert H. Felix, director of the National Institute of Mental Health, believes that one should think the matter through and decide which philosophy of life will give ultimate meaning to one's existence. He says, "You can accept religious faith as the answer—or you can reject it. But you cannot safely sidestep a decision about it."

Health is relative. It can be how a man feels on getting up in the morning, or what his physician finds on examination, or how good he feels when his staff produces well. Whatever the point of view, observance of a few common-sense principles can keep an executive physically, emotionally, and spiritually healthy—even though overworked. ♦

Economists are wondering whether the lag of employment behind rising production means trouble ahead . . .

CHRONIC UNEMPLOYMENT: *A New Problem for the Economy?*

Condensed from Fortune

THE RECESSION of 1957-58 has left in its wake a serious unemployment problem. Employment has not nearly kept pace with a boom in industrial production that has already carried more than halfway back up to the prerecession peak. There is, furthermore, a growing conviction in the U.S. labor movement (and outside it, too) that this curious situation is likely to persist a while. Indeed, it is commonly believed that unemployment, which was running to over 4,100,000 in September, will rise seasonally to perhaps 5,300,000 this winter—even if production continues to boom. In the two previous recessions, employment came up sharply as production rose.

In the earliest stages of the 1958 recovery, unemployment was expected to be "sticky." Employment does not usually rebound as rapidly as production, because employers naturally tend to bring their existing work force up from part time to full time before rehiring laid-off workers. In this recession, average weekly hours in manufacturing had declined from 40 in the summer of 1957 to 38.3 in April, 1958. In steel, almost 300,000 men were on reduced work weeks last February, at the bottom of the recession.

It was expected that unemployment would stay high during the summer: the total labor force—and hence the number of unemployed—was augmented by the seasonal flow of schoolboys looking for jobs, and there was an unusual increase in the number of job-hunting women anxious to supplement their families' sagging incomes. All together, the labor force was about three million higher last July than it had been in March.

But by early autumn it was apparent that substantial unemployment was going to persist. By this time, to be sure, only 100,000 steel workers were on reduced work weeks; over-all, manufacturing hours were back up to 39.4 (August), and something over 2,400,000 working students were going back to school. But seasonally adjusted unemployment in August was up to 7.6 per cent of the labor force—the highest percentage reached in the recession, or at any time in the past nine years. (In September, unemployment was still 7.2 per cent.)

Labor leaders nervously attributed the phenomenon to automation, which had cut into the old blue-collar labor force during the recession; outlays for capital goods (some \$130 billion for new plant and equipment in 1955-

Fortune (November, 1958), © 1958 by Time, Inc.

57) had outmoded many worker functions. Beyond that, many employers who became intensely cost-conscious during the recession were apparently declining to rehire laid-off workers whom they suspected might have been expendable all along.

The patterns of unemployment that have appeared in major industries have organized labor deeply worried, and indeed have presented the unions with some acute problems.

In January, 1957, when steel was operating at 99.7 per cent of capacity in Pittsburgh, employment of steel-production workers in the area was about 153,000. In June, 1958, when the industry was operating at only 61.6 per cent (capacity was about the same), it employed 117,000 men in the area. By last month, operations in Pittsburgh were around 70 per cent, but only 3,400 men had been rehired. Paul Hilbert, director of Steelworkers' District 15 in Pittsburgh, is convinced that there will never again be jobs for as many as 153,000 steel workers in the area.

"Sooner or later, I'm going to have to tell a lot of men that there are no jobs left in the industry," he says.

The auto industry, which has introduced a good deal of automation, and which also is a long way off from its 1955 record production, will use fewer workers than it did last year, even when production gets to its anticipated high this month. General Motors expects to have about 325,000 employees at peak operations this quarter, against 339,000 last year. Ford is likely to peak at around 106,000, against 134,000 last year. Chrysler, which has embarked on an ambitious program of efficiency and

consolidation, will peak at around 95,000 employees, against 130,000 last year. (At its recession low last spring, Chrysler was down to 45,000.)

Employment in rubber had been declining even before the poor 1958 performance of the auto industry. Ten years ago, 96,000 rubber workers produced 87 million tires: just before the recession began, 83,000 workers were producing 110 million tires. During the recession, about 10 per cent of this "tire and tube" labor force was laid off; only about half these workers may be called back in the next few months.

A U.S. economy in which there are five million unemployed instead of a "normal" two million or three million would pose two kinds of threats to organized labor. The first is the loss of union revenues as the result of declining union memberships. If three-quarters of an "extra" two million unemployed are union members, which appears to be possible, then organized labor will have to adjust to an 8 or 9 per cent drop in dues-paying members — i.e., a 1,500,000 decline from 17 million. Whatever the exact figures, it is clear that revenues have been falling somewhat, and in the convention season now underway many unions have been asking their members for dues increases to cover the losses.

The Chemical Workers, who have lost about 7 per cent of their pre-recession members, have recently put through a 25-cent monthly dues increase. The Brotherhood of Railway Carmen got a 25-cent increase needed partly to "offset shrinkage of income caused by sharp layoffs." The United

Rubber Workers, who have lost 20,000 members since their 1956 convention, asked for a removal of the ceiling on local dues payments, but the members voted the proposal down. The UAW has not raised dues, but still has in effect an "economy" program instituted last June under which salaries were cut by 10 per cent.

The second threat of a higher rate of unemployment is to the unions' bargaining power. Workers have never been eager to strike when unemployment is high, and in sapping the militancy of a union, unemployment also diminishes its ability to extract big gains at the bargaining table. The resistance in the UAW to a long strike was one reason for Walter Reuther's retreat from his original demands; he was asking for a 73-cent package, spread over two years, as bargaining got under way, and finally settled for 28 cents, spread over three years—the smallest gain of the postwar period.

Similarly, Jim Carey's IUE was unable to get a strike authorization at some of the biggest General Electric locals — even though his leadership tried to convince local members that they wanted the author-

ization only to increase their power at the bargaining table, and that an actual strike was unlikely.

Anxious union leaders interpret all this as a new problem of chronic unemployment. It is significant, however, that one union which has gained 100,000-odd members since 1954, and has held them during the recession, is the International Brotherhood of Electrical Workers, whose membership includes a relatively high proportion of technicians the semiprofessional workers. The IBEW convention was told in September that automation was opening up "vast areas for servicing its complex equipment."

Some union economists, like Everett Kassalow of the AFL-CIO are persuaded that, while unemployment will continue to be higher than it was before the recession, and while there will be some new "distressed areas" in the U.S.—"Ohio, Michigan, and Indiana may be the New Englands of the future"—the unemployment problem will be eased by the opening up of many new jobs in the service industries as well as in atomic energy, electronics, and the engineering fields allied to automation. ♦

A COMPUTER CONTROL that can respond to instructions written in English rather than in code has been developed by the Air Force and Remington Rand. Called the Air Material Command Automatic Compiler (AIMACO), it has an initial vocabulary of 30 verbs, with space to enlarge the vocabulary as required. The major advantage of the new device is that less time will be needed to program a computer and to train people to write programs.

—*American Machinist* 10/6/58



Why Wage Incentive Systems Fail

By Robert E. Lane

Condensed from *Personnel Journal*

PROPERLY USED, a wage incentive system can effectively reduce costs and coordinate wages with productivity. Improperly used, it can lead to increased costs and create serious labor-management problems. Here are four major pitfalls a company must be careful to avoid if it wants a successful incentive system:

1. Setting loose rates.

Most union contracts contain clauses prohibiting management from restudying a rated job unless there is a revision in the method or equipment or a grievance is lodged against a particular standard. So loose rates are protected by the contract, while the tight rates are restudied and corrected.

When an incentive system is plagued with loose rates, management has three basic alternatives: (1) Cut the rates by making minor revisions in methods or equipment for the sole purpose of restudying the jobs; (2) set accurate new rates and tolerate

the loose rates already set; or (3) drop the incentive system.

If management chooses the first alternative, the result will be poor employee morale and serious union trouble. The second option will bring the same results, because the workers will regard the new rates as a speed-up. If management decides to drop its system entirely, it may have to continue the premium hourly wages of its employees, since the workers will not be satisfied with just the base hourly wage. The result will be higher pay for lower productivity.

Loose rates can usually be blamed on the inexperience of time-study personnel and lack of management support for the incentive system. The support of the foreman is especially important, because his intimate knowledge of the jobs and employees can be of great help to the time-study observer. In many plants that have experienced trouble with their incentive system, the time-study depart-

Personnel Journal (November, 1958), © 1958 by Personnel Journal, Inc.

ment did not have the cooperation of the foremen.

Higher management also must back their time-study department if they expect satisfactory standards. In one plant, management always sided with the union, regardless of the facts, and publicly criticized its time-study department for creating difficulties. The time-study people soon learned that the best way to stay out of trouble was to set loose rates.

2. *Employee misconceptions of the system.*

If the employees do not understand how the system functions or its objectives, they will form their own opinions on the basis of whatever rumors are currently being circulated. Management should explain the system simply and constructively. Many firms have effectively utilized a special pamphlet to answer questions concerning their system.

Here again the foreman is in a strategic position. He should be given the facts with which to answer questions concerning the system, and be prepared to stop false rumors before they become accepted as the truth. Although any system based on time study will cause some misunderstandings, over-all morale should be improved, since the employee will be rewarded according to his own effort and abilities.

3. *Exaggerated management faith in wage incentives as a panacea.*

It is true that wage incentives can aid management in solving many production and personnel problems. But they are not a cure-all.

For instance, an incentive system can benefit morale by making it pos-

sible to increase and equitably distribute wages. However, surveys show that other factors are of greater importance to employees. If management recognizes only the economic factors, morale may actually be lower after the installation of the incentive system.

4. *Inequities caused by the system.*

The incentive system may, if improperly policed, disturb the entire wage structure of the company. Workers on low-skilled jobs with incentive bonuses may be earning more than highly skilled men on day work; or supervisors may be earning less than efficient incentive workers. The danger here is that correction of these inequalities may result in high pay for low efficiency. Incentive advocates suggest that the solution is to place all employees on incentive. But for some jobs it is difficult to devise standards that properly correlate effort, performance, and results.

A similar problem exists when the employees' pace is governed by a conveyor or machine. Many firms have had to give machine-time allowances so the machinists will be able to receive their incentive bonuses. This means that these workers, when their pace is machine controlled, are earning incentive wages for working at a day-work pace. Such a situation will inspire resentment in those employees who must work at an incentive pace to earn their bonuses.

Although some inequity problems can be solved within the wage incentive system, there are cases in which a company would be wiser to drop its incentive program and seek another type of wage plan. ♦

6 COMMON MARKETING AXIOMS

—and Why They're Wrong

By John F. Gustafson

Condensed from *American Business*

WHETHER the starting point for a study of marketing activities is a systematic audit of the whole program or the selection of an important current problem, it is frequently necessary to challenge the assumptions on which marketing strategy has been based. What was a sound assumption 20 years ago may be a dangerous misconception today. These false assumptions often block effective analysis of a problem because they are accepted as fact.

It is worthwhile to examine six of the most common assumptions, as well as some examples of how alert companies have successfully defied them. While these assumptions are overstated for simplicity's sake, they represent suppositions that can be expensive even in their less extreme form.

1. *"We need an extensive product line in order to maintain the volume we get on a few items."*

In a typical company, 20 per cent of the product line will account for 80 per cent of the volume and, in all probability, that volume could not be achieved without a well-rounded line. However, constant pruning is necessary if the product line is to remain profitable. Otherwise, what is made on the high-volume products will be lost on the fringe group.

This assumption should be questioned in two ways: (1) Do our customers actually require all the fringe products, or are we overestimating their needs? (2) Are the customers who buy the volume products also the ones who buy the fringe group?

A hardware company, for example, after taking a critical look at the 80 per cent of its line that gave it but 20 per cent of its sales, found that by and large these products were going to customers who did not buy the volume products. These customers made infrequent purchases for small dollar amounts and, what's more, their purchases were declining.

Management naturally decided that a sizable, expensive segment of the product line could be dropped without offending important customers.

2. *"Our salesmen don't have to be taken by the hand and led to our best prospects. They know where to call for the most profitable results."*

This assumption is questionable on several counts. For one thing, your "best" prospect, in terms of profitable sales volume, may not be the "best" prospect for a particular salesman, because of his inability to sell that customer. Your salesman may use the word "best" in reference to his own

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interests—a perfectly natural tendency—and eliminate a number of your company's top prospects.

Secondly, the salesman is not all-knowing, and even if he uses the word "best" from the company point of view, he may not have sufficient knowledge of the market and its potential. This is especially important with new products that might add more potential to one customer than to another, or might even create an entirely new customer group.

The falseness of this assumption is illustrated by the case of a feed company that found substantial shifts in poultry population had changed the character of its markets, and had brought about new customer concentrations. It was overselling in some areas and was spread much too thin in others. A shift in selling emphasis to correspond to customer potential provided real profit opportunities that the individual salesmen had not recognized.

3. *"We can tell from our sales records that our territories are correctly laid out."*

This is a questionable assumption because the term "sales records" is made synonymous with potential. Records tell you little about the business you are missing. One of the most important contributions market research makes to business management is the establishment of potentials for a given area. When sales are matched to potential, a company has a measurement of its market penetration.

4. *"Straight commission is always the best method of compensating salesmen."*

When this assumption is scrutin-

ized, four important defects become apparent:

- Straight commission gives the salesman an unusual amount of independence; hence the manager lacks control over his salesmen's activities.

- The company's sales volume may well depend on the salesman's standard of living; if he is satisfied with a modest living from modest sales, the company loses.

- Unless the commission rate is changed as the company grows, sales costs rise at the same rate as sales volume. Management thus loses an opportunity to gain leverage on increasing sales volume.

- To attract today's young man into the selling profession a company must offer the security of a base salary that assures a good living standard.

5. *"As far as our distributors are concerned, a fair price and good service are all we have to think about."*

If this were ever true in the past—which is doubtful—it is certainly becoming less true every day. Progressive manufacturers give their distributors many additional benefits. For instance, they provide field servicing, help with inventories, supply advertising aid, and maintain sales contacts with distributor salesmen.

6. *"Because we are a national company, we need a uniform national price."*

If your competitors are all national companies with a national pricing policy, perhaps uniform pricing is not putting you at a competitive disadvantage. If you are trying to compete, however, with local competitors who use price to gain advantage over

you, then your inflexible policy may be a handicap.

One company selling agricultural chemicals, for example, tried to maintain its price structure across the country. Price weaknesses occurred in certain geographic areas. It had the choice of maintaining its national

price structure and losing the business in those areas, or adjusting the national price to meet the competition in the soft spots, thus losing margin on all sales in other areas across the country. Not too surprisingly, the company decided to change its national pricing policy. ♦



"I took my courage in both hands, walked in without knocking, banged my fist on his desk, and demanded a raise. Then I fainted."

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Company Help for the Transferred Executive

WHEN A MANAGEMENT EMPLOYEE is transferred to a new location, the company should not only pay the costs involved in moving but should give special attention to other personal problems of relocating. This is the gist of opinions gathered from recently transferred company personnel and their wives in a survey conducted by *Management Methods* magazine. Although the company may spend thousands of dollars to pay for the employee's moving expenses, if certain accompanying difficulties are overlooked—difficulties that may cost little or nothing to ease—he may start his new job with a grudge.

In some cases, he may catch this bitter attitude from his wife, who is the one most directly involved in the turmoil of moving. Many companies have found that it is wise to give special consideration to the wife's moving problems—before, during, and after the move. For example, the survey shows that one effective way to ease the move for the wife is to make an effort to acquaint her personally with the new community, either before or immediately after she arrives. Said the wife of a recently transferred bureau manager of a news service: "It would have been invaluable to me to receive information about our new community—facts about churches, schools, stores, weather conditions, civic organizations, and so on."

Sometimes, poor company handling of a transfer may make the employee so bitter that he will actually quit. One respondent reported: "I was transferred without any consideration. . . . No consideration was given regarding housing. While it is true that they did pay my expenses, at least most of them, it took over two months to get the check. As a result of this kind of treatment, I have just turned in my resignation."

On the whole, however, companies seem to be doing a good job of relocating their employees. An almost unanimous majority (93 per cent) of the respondents said they were generally happy about the treatment they received from their companies. But most of the respondents reported that they received no help from their companies in finding either temporary or permanent housing in their new location. Only 14 per cent said their company helped them find temporary housing, and 21 per cent said they received help with permanent housing.

Most of the wives also expressed general satisfaction with the manner in which they were moved, but they had more individual complaints than their husbands. Among some of the suggestions they had were:

"Allow more time between notice of transfer and actual move."

"At least \$100 should be allowed to cover the incidental necessities in the new apartment (curtain rods, curtains, shower curtains, etc.)."

"Pay all closing costs and broker's commission, with some help if forced to sell at a loss."

"Arrangements should have been made to send us to new area to find suitable housing at company expense."

Openings for Graduate EE, ME, Metallurgical, Chemical, and Civil

From 1946 through 1956, the engineering graduate with a decent academic record usually was able to write his own ticket; recruiters from industry and government swamped him with job offers. Last year, the situation changed. A government economy program brought cutbacks in defense orders, reducing the demand for en-

DECEMBER, 1958

Companies usually estimate in the fall how many new engineers they will need from the crop graduating the following June, so they can start their on-the-campus recruiting. General Electric Co., one of the nation's largest employers of engineering talent, reports that this year its hiring of engineers fell 40 per cent from 1957. But, a spokesman says, "The '59 hiring rate will be back up to 1957 levels, and could go higher." GE has about 20,000 engineers now. In four years its needs will mount 30 per cent, and in ten years nearly 50 per cent more engineers will be needed, it estimates.

In Chicago, Standard Oil Co. (Ind.) officials estimate the company will require about 3 per cent more engineering graduates next spring and about 12 per cent more in four years. A poll of engineering department heads at Inland Steel Co., Chicago, shows the company will hire 60 engineering graduates in June, a 10 per cent jump from 1958. And the company forecasts its engineering needs will be up 50 per cent by the time this year's freshmen are ready to graduate. Norge, appliance wing of Borg-Warner Corp., and Motorola, Inc., Chicago, both say hiring of engineers will be up next June from this year's figures. "If things keep looking up, we'll be trying to hire all we can get," says a Motorola spokesman.

There already are signs that demand for engineers is beginning to outrun the supply. The Labor Department reported that the number of unfilled engineering jobs in industry totaled 4,335 in late September, up from 1,400 in July. The September figure was an increase of 400 over September, 1957. The greatest current demand is for electrical and mechanical engineers, who are needed by missile makers.

Despite government and industry efforts to spur interest in engineering, there are signs of growing student disinterest in the field. The number of students dropping out of engineering courses is rising. According to figures of the U.S. Office of Education, the freshman enrollment in engineering courses in 1952 was 30 per cent above 1951. In 1953 it rose 17 per cent over 1952. But the increase was only 7 per cent in 1956

and last year the gain was only 1.3 per cent—a "critical" point, says Dr. Meyerhoff. A spot check by the Scientific Manpower Commission indicates the percentage rise in 1958 enrollments will be even smaller. Yet a check with major manufacturers indicates that by June, 1962—graduation period for today's freshmen engineers—the nation's need for engineers will be 25 to 50 per cent higher than this year.

What makes the situation even more serious is that many of those who entered engineering schools this fall will not graduate. The number of those who don't finish has always been high because of the difficult subject matter and mental discipline required. In the three years from 1955 through 1957, the percentage of engineering students who failed to graduate rose to 48 per cent from 45 per cent, according to the Scientific Manpower Commission.

Besides the highly technical areas of electronics and aircraft development, industries such as food and glass—fields not bolstered by government spending—also predict steadily rising engineering needs.

"The food industry will need 100 per cent more engineers in the next ten years" says R. M. Shultz, senior vice president of National Biscuit Co., New York. Stokely-Van Camp, Inc., Indianapolis, foresees a 40 per cent rise in the firm's technical needs, reports R. H. Gunther, vice president and administrative assistant to the president. And C. R. Megowen, president of Owens-Illinois Glass Co., Toledo, says there will be at least a 50 per cent increase in the glassmaking industry's needs. ♦

To do its job well, any control system should measure up to these eight fundamental requirements . . .

Building Better Business Controls

By Harold Koontz

Condensed from Nation's Business

THE MANAGER who would use his time well, delegate authority effectively, and pave the way for profitable company growth must devise reliable business controls. Whether he adapts the control techniques of others or develops his own, his task will be simplified if he keeps certain fundamentals in mind. Here are eight guides that can help sharpen control techniques:

1. *Controls should be forward-looking.*

Managerial control has tended to rely on historical accounting and statistical data. Instead, more attention should be given to developing forecasts and projections. The secret of good control is to see problems coming far enough in advance to be able to do something about them.

Ideally, a manager should have a system of controls with instantaneous feedback, so that deviations might be corrected before they become important. While this kind of system is available only in limited areas at present, research and the refinement of electronic data processing may make it more generally available.

2. *Controls must reflect organizational pattern.*

Control techniques and information must be focused on the subordin-

ate whose performance is to be measured. It does a manager no good to know that his costs are too high unless he knows who is responsible for them. Likewise, he is helpless if he knows that product development or production is behind schedule without also knowing the position that is causing the delay.

Too often, controls are wrongly applied to a subordinate not responsible for the difficulty. In a recent instance, a plant superintendent understandably threw up his hands in despair when he was called on the carpet for going over his budget. It turned out that, through careful analysis and control, he had reduced his labor force considerably one month, but company policy charged accumulated vacation, sick leave, and severance pay to his department when he made his cuts.

3. *Controls must be readily understandable.*

Some managers like reports, others tables, others charts, still others mathematical formulae. What might delight the figure-minded controller could confuse the plant manager. What might have meaning to the chief engineer would probably make no sense to the sales manager.

In their preoccupation with de-

Nation's Business (October, 1958), © 1958 by Nation's Business—the Chamber of Commerce of the United States.

veloping information efficiently, many companies have set up specialists and concentrated all information-gathering in one spot. In addition, there is a strong inclination to standardize reports. Though these methods may save money, it can be at the expense of management effectiveness.

4. Controls should be limited to strategic points.

The manager cannot take the time to check performance in every part of a plan or every aspect of a policy. He should choose certain key points for his attention. A company president might use the rate of return on investment as a strategic factor for measuring the profit-making ability of a division manager. A plant superintendent might select labor hours per unit, ratio of rejections to total production, labor turnover, and production against schedule to indicate how his foremen are doing.

5. Controls must be objective.

Because management is getting things done through people, it necessarily has many subjective elements in it. But whether a subordinate is contributing effectively to company goals cannot be determined on a subjective basis.

Subordinates themselves are often frustrated by being told in vague general terms that they are not doing a good job. They tend to prefer objective standards—if they are reasonable and accurate.

6. Controls should point up exceptions.

Whatever control technique a manager employs, it should only flag exceptionally good or exceptionally bad performance. To do otherwise is to waste effort.

7. Controls should be flexible.

Controls should remain workable despite unforeseen changes in circumstances: sales that do not turn out as forecast, a supplier's plant that is shut down because of a strike, or an order that is suddenly canceled.

The problems of flexibility are not easily solved. There is always the danger that a manager may go blithely along thinking that he has proper control, only to find that the situation for which he had planned has changed. Many top managers, particularly in smaller companies, hesitate to rely on a system of budgets because they fear that if actual sales fall below the forecast they might lose control by continuing to allow department heads to spend at a level not justified by sales volume.

Maintaining control flexibility is easier if the plan itself is flexible enough to change direction when necessary. It is also helpful to provide for periodic review of both plans and controls to make sure they still reflect goals and performance.

8. Controls should be economical.

Economy in undertaking a system of control is a relative matter, since the benefits vary with the importance of the problem, the size of the business, the contribution a control can make to efficiency, and the expense that might be incurred in the absence of control. Review of control techniques in almost any company will probably disclose cases where the cost of control is greater than the cost of a mistake. At the same time, such a review would also indicate areas where interest in economy has led to insufficient expenditure for the development of controls. ♦

*The men who represent you
abroad can make or break
your foreign operations . . .*

Picking the Right Man to Work Overseas



Condensed from Business Week

MORE THAN 30,000 Americans are working abroad for U.S. companies. They are representatives of industries that produce over \$30 billion worth of goods overseas, or of trading corporations that add another \$30 billion worth of business.

Because overseas profits are so attractive—30 per cent net return on sales is not abnormal—it's increasingly important to put the right man in these spots. Just take the three most obvious reasons:

1. In overseas operations, a company tends to be judged by its few representatives rather than the men by the corporation they work for.

2. Ineptness on the part of a representative can be expensive, since it's almost impossible to keep a close check on operations thousands of miles away.

3. The cost of establishing a representative in a foreign country is high. In many cases, 25 to 50 per cent salary differential is required in addition to travel costs. Oil com-

panies, for example, figure that it takes \$50,000 a year to maintain an executive abroad.

For these reasons alone, U.S. companies tend to be hypercautious on the men they send overseas, often seeking out the very cream of their domestic staffs. And yet it has become increasingly obvious that current careful screening techniques aren't enough.

In spite of the growing knowledge of the rest of the world, veteran concerns in overseas work estimate a 50 per cent executive washout rate for new companies moving abroad. One in six fails completely, must be brought back quickly. One in five resigns before his contract is up. One in five does an "adequate" job. One in 12 does "better than average." The rest just drift through their contracts.

Obviously, U.S. business operations abroad have been successful, despite these gloomy statistics. The problem now is to both keep them successful and growing, which means possibly

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more—and certainly “better”—men overseas.

As a result, men responsible for choosing their “foreign representatives” are now seriously trying to re-evaluate their needs. Reluctantly they are coming to the conclusion that the man who has the “right” standards of behavior and talent, both business and social, to carry him to the top in Chicago, Los Angeles, or New York may have precisely the “wrong” attitudes in an “alien” social and business environment.

There's a trade word for what happens to Americans living overseas. It's “cultural shock,” and to a certain extent, it hits them all. Different philosophic, moral, and living standards rock many of them back on their heels. Wives especially find it hard to adjust to an environment where supermarkets, super service, and super entertainment often don't exist. The second-class status of women in many countries irks them, too.

It isn't quite so difficult for the men. Business, though it may be conducted differently, is still business. Also, because of the demands of nationalism and because it's expensive to get U.S. personnel overseas, companies turn over the direction of foreign operations to a relatively small number of men. This in turn means they get top responsibility early—with high pay. But they also have to play by a different set of rules.

In many countries, for example, “gifts” to government officials and awarders of contracts are standard procedure. Whether they admit it or not, many companies abide by this practice. Those that do need a man who can carry through the deal

smoothly, without putting the company on a hook—and without succumbing to the temptation to deal himself in.

Then, too, the American abroad has to play the unaccustomed role of “foreigner.” He has to prove himself and gain acceptance from sometimes suspicious and antagonistic nationals.

For instance, a U.S. machinery company using American engineers at one of its Latin American plants faces a critical problem in quality control. Instead of the normal U.S. rejection rate of 5 per cent for parts coming off the lines, the rejection rate is 25 per cent. Yet a neighboring factory achieves a 95 per cent acceptance. Company engineers haven't been able to enlist the cooperation of native workers, and they don't know why.

Another big problem in staffing overseas operations is that the home office frequently doesn't understand what representation it needs. A glaring example is the American trading company in the Middle East that needed an interpreter. A naturalized American of Armenian descent was hired, and for years he systematically alienated the company's Middle East contacts. It turned out that an Armenian accent is held in contempt in many Middle East circles.

An oil company in the same area got into trouble by importing a U.S. troubleshooter who located the trouble and bluntly set about eliminating it. But to the Arabs, the hard-headed American was an affront, to which they retaliated by complete uncooperation.

How should overseas companies go about choosing representatives? It's

becoming increasingly obvious to personnel men that the conventional procedures used for hiring domestic workers may not be a good yardstick for foreign hiring. Conditions abroad usually are exceptional—and require exceptional people.

But what the "exceptional man" is baffles even the personnel experts. Most agree that what may be a misfit at headquarters may be the ideal overseas man. Such a man—because of reticence, curiosity, or detachment—can sometimes hit it off with foreigners more easily than his fellow executives at home.

Edward T. Hall of Overseas Training & Research—a Washington, D.C., company that specializes in foreign personnel—points out several factors to watch for:

- Look for motivation for going abroad. Men who want to travel, to

study languages, or who are interested in foreign cultures have a big advantage.

- Avoid men who are emotionally dependent upon parents or upon particular areas in the U.S.

- Watch out for prejudice. This is crucial overseas, where nationalism is rampant, and a representative's success may hinge on freedom from racial and religious prejudices.

- Adaptability is essential, but it must be offset by a strong sense of American roots. Otherwise, he might be swallowed by another culture.

- Look for exceptional and even eccentric people who may have adjustment problems in the U.S., but who would fit into a foreign situation. Such people may include members of a minority race, men with unusual education, or those with a foreign background. ♦

As the Yankees Go . . .

WHAT'S GOOD for the New York Yankees is good for the economy, according to a new school of economic thought. The school was convened recently by Robert G. Shortal, a financial writer for U.P.I., who noted that the Yankees won the Series in 1927 and 1928, both prosperous years—but lost it in 1929. They won in 1947, a good year, but lost in 1948, another recession year. They lost the World Series last year but won this year. To give the theory even more zest, there is an exception to the rule: the Yankees won in 1932.

Shortal's correlation of prosperity and Yankee victories seems at least as consistent as most other indicators. Its widespread application awaits only the clarification of one puzzling detail. Are Yankee victories a leading or lagging index? Do the Yankees win because times are good, or are times good because the Yankees win? When this is answered, either Dr. Raymond J. Saulnier, of the President's Council of Economic Advisers, can join the Yankees, or Casey Stengel can join the C.E.A.

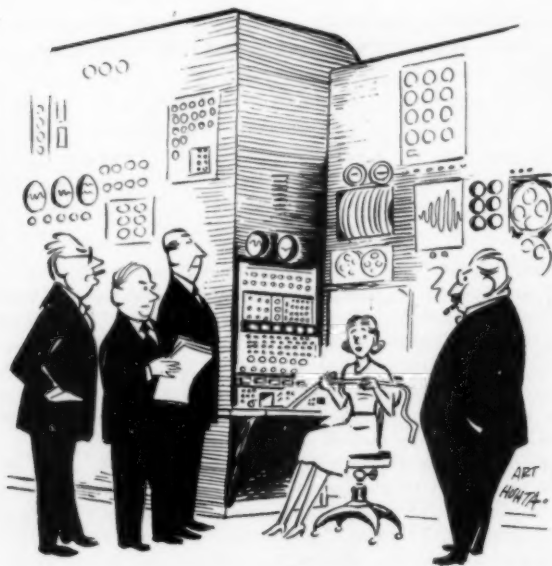
—*Fortune* 11/58

New Aid for Small Business

SMALL BUSINESS soon will be getting new help in solving its long-range financing problems, reports *Business Week*. Congress recently passed a bill that will set up a \$250 million revolving fund to underwrite a new system of private investment companies that will make long-term loans to small businesses. The Small Business Administration will operate the program.

Loans from the revolving fund to the new investment companies will be limited to \$150,000 per company. The investment companies can be formed by a minimum of ten persons and must have at least \$300,000 in paid-in capital and surplus before opening for business. Small businesses can apply to these companies for loans under the same eligibility standards used for the SBA's direct-loan program.

After they have been launched, the investment companies will be encouraged to rely on private capital. However, SBA is empowered to make additional loans up to 50 per cent of a company's paid-in capital.



"It says it wants to think about it for a while."

—Management and Business Automation

Purchasing, once only an order-placing function, is showing many companies that it can play a more important role . . .

PURCHASING FOR PROFIT

Condensed from Steel

MOVING farther and farther away from its traditional role, purchasing is wielding an increasingly potent influence on company profits. These days, when profit margins are being badly squeezed, the efficiency and alertness of a company's purchasing department may mean the difference between black ink and red ink on the annual profit-and-loss statement.

"Purchasing has taken on a new look and is playing a greater role in management decision-making," observes Donald Hoodes, director of the management advisory service division of Profit Counselors, Inc. "Purchasing has always been the link that connected a company with its outside sources of supply. Now the function is becoming more important as the guardian of all material costs."

Some purchasing departments have been given the responsibility for traffic. Others are being put in charge of inventory control. More and more purchasing people are taking to the road to evaluate vendors' facilities. Many purchasing departments supply top management with data on important economic changes and market developments.

Purchasing's function shows signs of broadening still more in the near

future. Some companies already call their purchasing head the manager of materials. Under this concept, the purchasing department has a role in the establishment and control of inventories; the establishment of standards for material specifications; the introduction and control of engineering changes; the predicting, planning, and scheduling of material requirements; the determination and disposal of surplus and obsolete materials; dispatching and material handling; and sometimes shipping.

Progressive purchasing departments are utilizing a growing variety of tools to fill their increasingly important role. Among them are value analysis, make-or-buy criteria, standardization, substitution, blanket orders, economic lot formulas, vendor meetings, purchasing research, forms analysis, vendor rating systems, and automation.

With these techniques and others, many purchasing departments are achieving impressive savings. For example, a New York company's purchasing department recently received a request from engineering to buy some pressure vessels. The estimated cost was \$600,000. The engineering specifications called for a joint ef-

Steel (October 13, 1958), © 1958 by the Penton Publishing Company.

iciency of 95 per cent, which would require x-raying and stress relieving. Purchasing suggested an alternative: Have the plates beefed up and reduce joint efficiency to 80 per cent to eliminate the need for x-raying and stress relieving. The company saved \$110,000.

Another major saving was achieved by Alcoa's Massena, N.Y., plant, a large user of fuel oil. Oil was being transported 250 miles by rail, then 40 miles by truck to the plant. Purchasing went to a small oil company nearby and suggested the erection of a terminal on the banks of a navigable river close to the Alcoa plant. The arrangement, which cost Alcoa nothing, saved it \$50,000 the first year and \$100,000 the second.

Not all purchasing departments, however, are organized to function as effectively as in these two examples, and the result is that many opportunities for important savings are missed. Comments Gailon C. Fordyce, assistant director of purchases, American Cyanamid Co., New York:

"Through lack of knowledge, guidance, or time, the buyer may be passing up cost-reduction possibilities. It's important to establish the best organizational climate, then start to develop the buying personnel. The buyer must first be given the responsibility. He must feel that he has the obligation and the prerogative to find better ways to purchase materials. Too often he is made to feel that he is being told what to buy and where."

Mr. Fordyce suggests these ways of sparking the buyer:

1. Set up a cost-reduction program with a definite goal.
2. Define areas of cost reduction,

suggest ways of doing the job, and set up a program for the exchange of ideas.

3. Follow up on projects until either cost reduction is realized or the project is abandoned.

4. Provide rewards for better-than-average performance.

5. Bring the accomplishments of buyers to the attention of the top purchasing executive.

Purchasing should constantly analyze its operations by asking such questions as: Is the department properly organized to achieve its objectives? Is there too little or too much supervision? Do duties overlap or duplicate? Is the organization geared to meet management's requirements for such jobs as bidding, record keeping, and reciprocity? Can it produce the kind of reports management wants?

One of the big decisions that must be made in any multiplant operation is whether to centralize or decentralize the purchasing function. The trend in recent years has been toward decentralized purchasing with centralized control. The home office sets policy and procedure, usually does some buying, and backs up the plant operation in an advisory capacity.

Advocates of decentralized buying point out that buying locally creates better community relations, brings faster action, leaves the home office free to research new techniques for purchasing, builds up plant purchasing people for higher duties, and is often less expensive.

Centralized purchasing has its backers, too. They maintain that centralized buying enables trained buyers to specialize in a particular item,

job, and exchange

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IT REVIEW

gives the company an opportunity to buy in large quantities, and eliminates competition among plants for scarce items. Additional advantages cited are centralized disposal of surpluses, more sources of supply, standardization of purchases, and over-all inventory control.

A basic key to purchasing success is personnel training. One approach is part-time college attendance. "Purchasing courses are now offered in more than 300 U.S. universities," says Howard Ahl, executive secretary of the National Association of Purchasing Agents.

However, on-the-job training is essential. Many companies have set up

formal programs: American Cyanamid, for example, has a buyer-trainee program to train and orient recent college graduates. It is backstopped by individual training at the home office and trips to company plants and laboratories. Group participation seminars are held several times yearly for the discussion of current subjects.

More than ever before, purchasing departments will be called on to show that profits can be made through cost reduction as well as sales. The tools for profitable purchasing are available, but it's up to purchasing to use them most effectively and up to management to provide the climate that will encourage their use. ♦

A Point System for Rating Vendors

A SIMPLE METHOD of rating vendors numerically on their service, product quality, and selling price has proved to be an important aid to purchasing performance at General Electric Co. The system is based on 100 points. A vendor who is tops in product quality gets 40 points. For good service, measured largely by his ability to deliver on schedule, he can earn up to 25 points. If his is the lowest bid among the competing vendors, he gets another 35 points.

In establishing the ratings, GE buyers get together with the quality control men to measure the vendor's past performance against competition. If 90 per cent of his deliveries have been on time, he gets 90 per cent of the maximum 25 points in that category. If quality control reports that 100 per cent of the items delivered have passed inspection standards, he gets the full 40 points for quality.

Points assigned in the price category are based on the lowest bid received. For example, if the lowest offered price for an item is 93 cents per unit, the vendor making that bid would get the full 35 points. Other bids would be measured against this. Since the .93 cent bid would be about 80 per cent of, say, a bid of \$1.16, the higher bidder would get 80 per cent of the maximum 35 points, or 28. Each bidder's point scores in the three categories are added up, and the vendor with the highest total gets the business. Although the system does entail paper work, GE buyers point out that in addition to being simple, it reduces the natural tendency to grab at a very low bid from a possibly unreliable vendor and keeps the suppliers on their toes.

—The Iron Age 7/31/58



Why Not Intercompany IDP?

By A. G. Mackey

Condensed from Office Management

BY BROADENING the role of integrated data processing to include intercompany communications, management may be able to achieve major reduction in both the time and the cost of clerical operations. Such a system would mean the integration of high-volume business transactions between a company and the companies it does business with: customers, suppliers, financial institutions, and any other companies with which data is regularly exchanged.

Companies with internal integrated data processing systems now must convert their data into conventional language documents before sending them to another company. In turn, the company that receives the data must reconvert them so they will feed into its own IDP system. "Conversion centers" at the input and output ends of IDP systems involve large clerical forces. They could be eliminated by the use of intercompany IDP.

How would intercompany IDP work in, say, a distribution warehouse? At a certain large industrial and farm machinery warehouse, the most modern IDP techniques are used in internal order processing, distribution, and material handling. But much comparatively primitive proc-

essing of dealers' orders is needed before they can be fed into the warehouse's IDP system. The dealers type their orders on multiple-item order blanks. When they are received at the warehouse, they are first scrutinized for completion; then each item is converted to a tabulating card. Next, the cards are separately matched to a file of standard shipping methods. The quantity ordered is mark-sensed into each item card, then the cards are proof-checked against the original order. Finally, the documents go to the tabulating room and are fed into the internal IDP system.

Much of this preliminary processing could be eliminated by furnishing the dealers with tabulating cards for each item, rather than with a printed catalog. These cards would contain the standard data for ordering a part, and other punched cards would contain the established information on shipping address, routing methods, etc. A dealer entering an order would write in the quantity on each card, group item cards together with a dealer identification card, and send them on to the warehouse. There, the written data would be keypunched to the cards and they would be fed di-

Office Management (October, 1958), © 1958 by Andrew Geyer-McAllister, Inc.

rectly into the IDP system without further delay.

Similar techniques could be used in the receiving function. Normally, the vendor's packing slip is matched against receiving copies of the order, and the two combined make up a receiving report. If a tabulating card were used instead of a conventional packing slip, it could be fed directly into the IDP system.

The invoice is a high-volume intercompany document that could be put directly into the buyer's accounts payable cycle of an IDP system. At present, invoices are matched to internal records, and authorizations for payment or the checks themselves are separately computed and originated. If the accounts payable records and the invoices received were in the same common language form, matching could be done mechanically rather than manually. The product of an authenticated invoice could then be the check for payment.

These are a few of the typical high-volume transactions that could be converted to an intercompany IDP system. There are many others, such as fund transfers and distribution of billings to multicompany accounts, which should also be explored for common language possibilities. There is a wide variety of personnel, technical, sales, and service data repetitively produced and routinely exchanged in high volume between companies.

One form of intercompany integrated data processing is already functioning in at least one industry. About a year and a half ago, the nation's airlines and airplane manufacturers began work on a purchase

order administration system. It is already in operation between one airline and an airplane manufacturer, and other airlines and airplane makers are currently planning to phase it in. In addition to including some of the elements already described, the system provides for quotations, acknowledgments, supplements, returns, and cancellations. All transactions occur on tabulating cards exchanged between companies. Except for the mutual changes to a standardized format and the use of coded data instead of expository data, no change was required in the internal processing systems or equipment of either the airlines or the manufacturers.

There are, of course, major problems to be surmounted before intercompany IDP can become a widely used technique. The feasibility of standardizing formats between companies needs careful exploration. There must be a meeting of the minds between companies so that they can make changes in their forms and procedures for the common goal.

Some questions may be raised about the legal obligations implicit in much of the material that would be transmitted in an intercompany IDP system. Certain of the activities adaptable for intercompany integration involve explicit contractual stipulations regarding responsibility and compliance. It can generally be stated that many intercompany transactions can readily be converted to common language form without disturbing the basic nature of the contractual relationship between the parties.

In certain sensitive areas, such as purchasing, it might be wise to preface the use of an integrated system

with a contract or agreement stipulating that the common language documents and such coding as might apply are the conveyances through which buying transactions will be carried out.

There are other practical problems to be solved before intercompany IDP can work smoothly. But the companies that start tackling these problems now will be way ahead in the vital area of clerical cost reduction. ♦

Hark, Josephine, to My Talking Machine

WHEN AN EXECUTIVE'S LETTERS and memos come out garbled, it may indicate that he needs a brush-up on the proper technique of using his dictating machine. There are a few easily followed rules that will result in better letters and a happier secretary:

The microphone should be held at either side of the mouth and turned so that you speak across it and not directly into it. When the microphone is held directly in front of the mouth, breathing sounds are recorded. To get a uniform volume level, hold the mike the same distance from your mouth at all times—preferably about two or three inches. Don't turn your head as you talk so that your voice meanders away from the mike. Talk in a normal conversational tone.

When you start to dictate, tell the transcriber whether the item is a rough draft or finished work. (If it's a rough draft she can correct mistakes rather than try for perfection.) If a letter is "rush," say so. Specify the type of letterhead or paper to be used, the number of carbon copies you want, and the names of those who should receive carbons. Include the complete address of the person to whom you are writing, making sure you spell any unusual names. Specify what kind of envelope you want (air mail, first class, etc.), and give any special instructions for enclosures.

Concentrate on clarity when you dictate. Slurring or running words together makes things difficult for the transcriber. Be careful to emphasize word endings, so that plurals and past tenses are easily heard by the operator. When you come to involved proper names or uncommon words (like *svelte*, *plethora*, or *frenetic*), pronounce them with special distinctness. Give your words the life and emphasis you would if you were talking to someone in person; this helps the transcriber get the full sense of what you are saying. Don't skip any of the necessary little words: prepositions, conjunctions, definite and indefinite articles. If you dictate clearly and naturally, the inflections in your voice will indicate normal punctuation, but for speed and accuracy, say "period" or "paragraph" as you dictate—and clearly indicate any special punctuation you desire.

Whenever you pause in your dictation, stop the recording. If you let it run, your secretary will not be able to judge accurately the length of the letter and position it properly on paper. Also, she will have to listen through silent zones, and this will break her pace and slow down her typing.

—Robert Dameron in *American Business* 10/58

*The thinking ability of the salesman
is the most important determinant
of his success or failure . . .*

APPLIED IMAGINATION— The Salesman's Best Friend

By David J. Schwartz, Jr.

Condensed from The Atlanta Economic Review

PROGRESSIVE sales managers realize that selling success depends more on the thinking ability of salesmen than on any other factor. A trained, alert, creative imagination is important to salesmen for three major reasons.

First, each sales situation is different. Customers differ, needs differ, buying circumstances differ. And these variables cannot always be controlled or anticipated. The selling point that convinced the last buyer may be useless in making the next sale. Techniques explained at yesterday's sales meeting may have great value in selling some prospects but no value in other situations. No sales training program can be planned that will explain precisely how to handle each of the hundreds of interviews salesmen conduct each year. When salesmen are confronted by new problems, new objections, new needs, new personalities, nothing can take the place of applied imagination.

Second, the salesman must rely on himself for solutions to new situations. When he's in the middle of a sales presentation, he can't turn to his supervisor for assistance.

Third, the salesman cannot postpone action. In most cases he must provide answers under pressure. There isn't time to wonder "How can I make this prospect realize his need?" or "What strategy will work best with this fellow?"

Certainly the salesman needs knowledge, facts, and the best possible training in applied selling techniques. But he also needs training in how to make facts live, how to invigorate his own imagination.

Here are four ways of improving the creative power of salesmen:

1. *Encourage the salesman to use his own judgment.* Train him to rely on himself when he is selling, to realize that he is the command pilot when he is with a prospect. Too many salesmen, in the middle of a difficult interview, are assailed by the feeling, "I wish my sales manager were here to help me."

2. *Train the salesmen to visualize.* He must learn to see not only what is but what can be. To illustrate, ask the salesman to really visualize the meaning of phrases he uses mechanically every day, such as: "This will increase your efficiency," "This prod-

*The Atlanta Economic Review (September, 1958), Georgia State College
of Business Administration.*

uct will mean savings for you," "You will really benefit from this."

Worn cliches like these carry very little impact. Salesmen should convert them into concrete examples and down-to-earth facts that will genuinely awaken prospects. A good exercise in any sales training program is for salesmen to visualize each major selling point five different ways.

A valuable by-product of training in visualization is that the more a salesman practices visualization, the more enthusiastic he becomes himself. He sells himself on what he is selling.

3. *Train the man to train himself.*

In this day of mass training, new training aids, training specialists, and "advanced" training techniques, we too easily overlook the best training "device" of all: the man himself. Sales managers can supply guidance and assistance toward training the salesman in the why and how of self-management, self-development, and self-motivation. When a salesman really feels that he is training himself, he will eagerly seek knowledge and improve his skills in locating new needs and new business opportunities. He will search for ways to make each presentation more effective than the one before. He will become his own best critic, and he will come to his sales manager with intelligent questions, not with excuses for mediocre performance. He will develop his inherent power to think creatively.

4. *Promote off-the-job development.* Men who use their free time constructively generally show increased productivity on the job. No executive, of course, has the right to

tell his salesmen what to do during their free time. Nevertheless, it seems perfectly in order—in fact, highly desirable—for sales managers to encourage salesmen to upgrade their mental diet.

One approach is to enroll salesmen, at company expense, in a salesman's book club. The purchase of national business and selling publications also can be valuable. Books and periodicals cost surprisingly little, yet they effectively help the salesman become idea conscious.

Another, and perhaps the most worthwhile, approach to upgrading salesmen is to encourage resident salesmen (with partial or full financial sponsorship) to enroll in the evening programs of nearby colleges and universities. In most urban centers there are advanced educational institutions that provide extensive programs in marketing, psychology, speech, and various social sciences.

Courses in such areas can be of distinct value in the development of sales personnel, whether or not the salesman already has or intends to earn a degree. Some larger schools also provide education for specialized types of sales personnel in fields such as insurance and real estate.

The challenge to sales managers today is to develop the whole man by helping him to think creatively, to build and maintain his own morale, to develop self-reliance, and to build on the basic fundamentals provided him through the regular training effort. A question every sales manager would do well to ask himself is, "Am I doing all I can to build attitudes that will enable my men to develop their full potential?" ♦

Prizes for Patents

IN A PROGRAM that has successfully stimulated employee creativity, one company awards cash for patent applications from workers and for the award of patents. The company (Lear, Inc., Santa Monica, Calif.) reports that since it started the program last year, the influx of ideas and patent applications from employees has nearly doubled.

Each company division has a patent advisory committee made up of the general manager and representatives of the engineering, sales, and contract departments. Before an idea is turned into a patent application, it is carefully screened by the committee in the originating division. When the patent application is made, the employee receives a check for \$25, and if the patent is awarded he gets an additional \$50.

If Lear sells or licenses the patent, the employee gets 10 per cent of the returns until he has received \$5,000, 5 per cent until he has collected another \$5,000, 2.5 per cent until he has received an additional \$10,000, and 1.5 per cent after that with no limit.

—Steel 8/18/58



Do Employee Publications Earn Their Keep?

By David Summers

Condensed from Management Methods

MUCH OF THE \$100 million that U.S. business will be spending on employee magazines and newspapers during the coming year will be wasted, according to many communications authorities, including those on the union side of the fence.

"The inescapable fact," says William Scholz, manager of employee and plant community relations publications for General Electric Co., "is that in the majority of cases the time, money, and effort being expended on employee communications are sizable debit items without a single balancing entry on the black side of the ledger. You need only glance at a typical company publication, with the columns of personals and studious avoidance of facts about the business, let alone controversial issues, to have grave misgivings as to the value of the medium as it is presently being used."

Many communications experts place the blame for this state of affairs squarely on management's shoulders. In too many instances, they claim, management actually won't let employee publications do a good job. The only sure way an employee publication can begin to justify its existence, says one critic, is by giving employees the straight facts about the company, but unfortunately management seems afraid to face the

vital issues forthrightly. All too often, management prefers to play it safe by feeding employees pap in the form of chit-chat, sports, and cookie recipes. Words like "layoffs," "strikes," and "grievances" are anathema. Stay away from anything smacking of controversy, editors are told. Employees won't read anything controversial, anyway; if they do, they won't believe it, or worse, they'll resent it.

Surveys indicate the opposite—that employees are eager to learn as much as possible about matters that affect their company and their jobs. The Association of National Advertisers, Inc., polled 300 employees at six major companies; 97 per cent said they believe what they read in the company magazine, and four out of five read the magazine regularly.

What do employees read in these publications? What do they want to know? A survey made by the National Association of Manufacturers among 100 companies showed that, contrary to the claims of those who believe in only entertaining employees, workers want specific information about:

1. Their company's background, organization, products.
2. Company policies, especially new policies affecting them and their fellow workers.
3. Company plans, such as chang-

Management Methods (November, 1958), © 1958 by Management Magazines, Inc.

es in location or methods, and how jobs will be affected.

4. How their jobs will be affected by strikes, material shortages, defense needs.

5. How their jobs fit into the scheme of things and chances for advancement.

6. Outlook for business and prospects for steady work.

7. Their company's income, profits and losses, and plans for future growth.

8. Reasons for layoffs, and how they will be affected by them.

The Association of National Advertisers' survey also clearly indicates that the interest of employees lies not in chit-chat about weddings and births, but in news about the company. Of the 300 employees who were polled, 90 per cent said they read at least some of the articles on specialized department news. This far overshadowed chit-chat (55 per cent), sports (55 per cent), and even cartoons (69 per cent), usually the feature that has one of the highest readerships in consumer publications.

Despite clear-cut evidence like this, many companies still think the primary purpose of their employee publications is to entertain and not to inform. A survey of 100 companies, for example, showed that 74 per cent of the publications devote space to worthless gossip about employees, and only 36 per cent cover news that interprets company economics and profits.

The most repeated excuse for using only innocuous material is that management "doesn't want to give the union ammunition" about sales

and profits. Critics agree, however, that this argument doesn't hold water. It's a rare union that isn't armed with every necessary statistic about a company's finances before it sits down to the bargaining table—and it doesn't get those statistics from employee magazines.

What management doesn't seem to realize, says a former house organ editor, is that it actually is hurting itself by not giving employees the facts. This is substantiated by another survey among workers in a variety of industries throughout the nation. These workers were asked to state the figure they believed stockholders received as a return on their investment. One-third placed the return at 10 per cent or more, and one out of every five thought it was 25 per cent or more. Employees with ideas like that are not likely to hesitate to vote in the affirmative when a strike ballot is taken.

The anomaly of the situation is that management evidently knows that its entertainment sheets aren't doing a job. When business gets bad, employee publications are among the first items to be pruned from the budget. Yet a hard-hitting employee publication can earn its keep not only in the intangibles, such as molding favorable employee attitudes, but in dollars-and-cents terms as well. There are a number of good examples of this:

One company found that power consumption was too high at one of its plants. The employee publication spearheaded a drive at the 1,300-man installation to reduce power consumption. Stories and pictures told the employees the cost of power per man,

estimated the savings that were possible, and informed workers of the specific ways in which they could help conserve heat, water, electricity, and brine. Result: management estimated that savings the first year amounted to \$100,000.

Another company house organ conducted a drive to induce workers to wear safety glasses. Careful records were kept on accidents that might have resulted in the loss of eyesight if the employee had not worn safety glasses. In one year, almost \$60,000 was saved in compensation costs on accidents that "might have happened."

Still another firm was appalled to

find that its insurance costs were skyrocketing because of a high auto accident rate among its salesmen. Other channels of communication were used to no avail. Then the employee publication hammered away at a safety theme in a planned series of articles. Result: the auto fleet accident rate plunged 80 per cent, even though the fleet grew 26 per cent and the mileage rose 50 per cent.

The success of those house organ campaigns further corroborates two important points: (1) Employees obviously read nonentertainment articles; and (2) employees will usually cooperate with management when they are given full story. ♦

Seven Tips for Better Sales Contests

IN TOO MANY INSTANCES, internal sales promotion is treated like a poor relation of the consumer sales effort rather than an important key to building bigger volume, according to Stanley Arnold, leading sales promotion consultant. He believes that any successful internal incentive program should stick to certain basic principles:

1. Keep sales promotion contests short—six weeks is a good length. Too many campaigns are stretched out for so long that interest falls off and the drive's value vanishes.
2. Give imaginative prizes.
3. Don't repeat the same formula.
4. Have enough winners to make every salesman feel he really has a chance, so that even the poorer man will make an extra effort. It can be helpful to have an incentive for avoiding the bottom of the list.
5. Provide effective follow-up. Contests can't simply be announced and then be expected to go ahead on their own steam.
6. Keep the scoring simple. Some sales contests are based on complex point scoring that only an experienced bookkeeper could be expected to figure out.
7. Make it clear to the salesmen that a good record in the contest will lead to their long-range advancement as well as to immediate prizes.

The internal work force once handled many of the construction and maintenance jobs now being farmed out to contractors . . .

THEY HANDLE PLANT UPKEEP PROBLEMS

THE DAY of the self-sufficient industrial plant is passing, as more and more companies turn to outside contractors for jobs that used to be done by internal work forces. That's the conclusion of a joint University of Illinois-Columbia University study that investigated 74 industrial firms in seven metropolitan areas. The study was conducted by Illinois' Dr. Margaret K. Chandler and Columbia's Dr. Leonard R. Sayles.

The larger the job, the greater the tendency to turn it over to an outside firm, the study reports. A high proportion, about four-fifths of the companies, contract out all of their major construction work. Interestingly enough, the turn to the outsider seems to be increasing at the other end of the scale, where one might least expect it. In some companies there is a trend toward the contracting-out of the less skilled types of routine maintenance work, particularly janitorial activities. A surprising number, about one-third, contract out some of their routine maintenance. These companies also, on the average, use contractors for one-quarter to one-third of their minor construction and nonroutine maintenance work. Plumbing and electrical jobs tend to be contracted out less often than other types of craft work, such as sheet metal, masonry, and iron-work.

Is cost the crucial factor in deciding whether to contract out plant work? Evidently the answer is "no." When asked whether contracting-out would have to be cheaper than "do-it-yourself" before they would take the step, only about 10 per cent answered affirmatively.

When specific jobs are considered, the tendency to rate contracting cheaper than "doing it yourself" is stronger for large projects than for small ones. But in all cases, there is a diversity of opinion about relative costs. A partial explanation of this is found in the widely varying accounting practices used by the responding companies. The survey reveals that about two-fifths of the firms do not systematically compare

the costs of internal maintenance and construction work with prices charged by outside contractors. Moreover, where cost comparisons are used, their impact appears to depend on a controversial factor, the size of the internal overhead charge. Roughly as many are charging little or no overhead in calculating their costs as are assessing from 50 to 150 per cent. Management decision-makers also take into account a number of cost-related factors, such as speed and efficiency, that are difficult to evaluate numerically.

If cost is not the deciding factor, what are the reasons for management turning to outside contractors? Respondents cited these advantages:

1. Contractors have more specialists and more specialized equipment and can concentrate these resources to complete a job more quickly and efficiently than company personnel can. This means less time lost from having construction or maintenance work in process.

2. Contracting-out enables the company to keep a stable number of employees busy and turn to the outsider when peaks or new needs appear. Such stable employment pays immediate economic and long-run morale benefits.

3. Contractors can be required to meet schedules and to conform to rigid specifications, and their guarantees mean that unsatisfactory work will be redone.

Contracting-out does have disadvantages, the biggest being that it's a touchy union issue. Union members resent the practice of hiring contractors to perform company work. The problem extends outside the plant to craft unions and their employers, the contractors who actively bid for maintenance and construction work. To unions in and out of the plant, this issue is a vital one because jobs are at stake as well as jurisdictions. To management, the issue is one of a company's right to manage the operations of the plant in an efficient manner.

Attempts to settle the problem on a formula basis have usually turned out to be futile. Most conflicts are over borderline cases in which work is claimed with some justice by both inside men and outside craft workers. Respondents reported that disputes over the installation of a few thousand dollars' worth of equipment sometimes snowballed into lengthy struggles involving not only local plant people but also national headquarters of both companies and unions.

Two-thirds of the firms surveyed have no clauses in their union contracts that specifically cover contracting-out. Even those companies that have such clauses often find that they mean little in practice and that disputes usually must be settled on the basis of informal relations, tactics, and strategy. ♦

ECONOMY is a distributive virtue, and consists not in saving but in selection. Parsimony requires no providence, no sagacity, no powers of combination, no comparison, no judgment.

—Edmund Burke

ALSO RECOMMENDED

BRIEF SUMMARIES

of other timely articles

GENERAL

WHY INDUSTRY MODERNIZES — AND HOW IT DOES THE JOB. *Business Week* (330 West 42 Street, New York 36, N.Y.), September 27, 1958. Reprints 50 cents. This special report consists of seven feature articles on the coming pressures for modernization of production equipment and techniques, the technological changes that lie on the horizon, and guides for deciding when and how to modernize. Illustrated by company case histories and supplemented by a McGraw-Hill survey of industry's current replacement and modernization needs.

WHAT DO WE LEARN FROM RECESSIONS? By Carol M. Shanks. (The Indianapolis Chamber of Commerce, 320 North Meridian Street, Indianapolis 11, Ind.) Reprints gratis. Looking at the common denominators of the 1958 recession and those of 1949 and 1954, the president of the Prudential Life Insurance Company points up some lessons learned. These relate to: the need for inventory policies that permit more rapid adjustment to changed market conditions; greater stability in planning for capital expansion; less reliance on government controls; and, finally, greater awareness that the consumer may not always be right, but he is always necessary.

BUSINESS GIFT ISSUE. *Sales Management*, (386 Fourth Avenue, New York 16, N.Y.), September 10, 1958. \$2.00. Devoted entirely to business gifts and awards, not only for Christmas but throughout the year, this special 232-

page issue includes details of a survey of business gift and award practices in more than 1,000 companies; feature stories on unusual types of business gifts; a review of original company greeting cards; and an extensive catalog of business gifts, ranging from modest to luxurious. Also considered is selection of gifts for special occasions, such as anniversaries, openings, and trade shows.

SHARPER FOCUS FOR THE CORPORATE IMAGE. By Pierre Martineau. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), November-December, 1958. Reprints \$1.00. Can a company which produces a diversified array of products and deals with a varied group of publics hope to establish a clear, understandable corporate image? The answer is yes, says the author, but he maintains that a meaningful corporate image must be created through techniques other than the rationalistic approaches of traditional institutional advertising. He points out the vital importance of a favorable corporate image and gives some concrete examples of both ineffective and effective approaches to achieving it.

A JOB FOR THE BUSINESSMAN. By Charles H. Malik. *Fortune* (9 Rockefeller Plaza, New York 20, N.Y.), November, 1958. \$1.25. In this article (based on an address delivered at the fiftieth birthday celebration of Harvard's Graduate School of Business), the new president of the U.N. General Assembly discusses the American businessman's

role in combating Communism—peacefully. The U.S. executive can challenge Communism more profoundly than it challenges him, Dr. Malik declares, but

to do so he will have to become more versatile and “excel in humanity” as well as in quantity and quality of product.

INDUSTRIAL RELATIONS

YOUR PROBLEM PEOPLE. By Auren Uris. *Factory Management and Maintenance* (330 West 42 Street, New York 36, N.Y.), October, 1958. Reprints 50 cents. It is not a manager's job to “treat” his problem employees and subordinates, the author maintains, but only to bring their performance up to a normal or desired level. Pointing out that all problem employees are not psychological misfits, he divides them into four major categories—the man with the wrong goal, the web-of-fate victim, the social misfit, and the personality problem—and suggests some guides for handling each type.

THE CHANGING FACE OF COLLECTIVE BARGAINING. By Arthur M. Ross. *Labor Law Journal* (4025 West Peterson Avenue, Chicago 46, Ill.), October, 1958. \$1.00. The past 20 years have seen major changes in collective bargaining, the author says, and the next

20 will probably have equally significant effects. In this article, he discusses the four main areas in which we can expect change: (1) in the structure and policies of the labor movement; (2) in managerial policy; (3) in collective bargaining; and (4) in the substance of labor agreements.

KEEPING EMPLOYEES HAPPY DURING RELOCATION. By Francis J. Rodericks. *Industrial Development and Manufacturers Record* (109 Market Place, Baltimore 2, Md.), September, 1958. \$1.00. Personnel—present and future—is a critical factor in any company's decision to relocate. This article tells how a greeting card manufacturer encouraged a substantial number of its employees to move with it to a new location, and also discusses some of the questions with regard to the potential labor supply that were investigated before the new site was selected.

OFFICE

MODERN OFFICE ENVIRONMENT. *Modern Office Procedures* (812 Huron Road, Cleveland 15, Ohio), October, 1958. 75 cents. Built around the theme that office environment has an important influence on the productivity of clerical employees, this special feature section presents a dollars-and-cents guide to modernizing offices for better comfort and efficiency. Included are nine case histories showing how companies have achieved substantial improvements in such areas as space utilization, office upkeep expenses, flexibility of arrangement, and smoother work flow.

TIME MEASUREMENT PROVIDES SUPERVISORY CONTROL STANDARDS. By Arthur E. Fain. *The Office* (232 Madison Avenue, New York 16, N.Y.), September, 1958. 35 cents. In combating rising office costs and the shortage of clerical personnel, one potent weapon is the establishment of control standards through uniform time measurement, maintains the author, pointing out that such standards provide an accurate basis for scheduling peak loads, determining the need for new employees, evaluating suggestion awards, and comparing departmental effectiveness. He describes

the five basic steps required to install a work measurement program: (1) introduction and indoctrination; (2) procedure analysis; (3) frequency pattern analysis; (4) establishment of standard time values; and (5) consolidation and implementation of the findings.

WHY NEW COMPUTER CODING TECHNIQUES MAY ACCELERATE PACE OF OFFICE AUTOMATION. By Robert M. Smith. *Office Management* (212 Fifth Avenue, New York 10, N.Y.), October, 1958. 45 cents. Programing and con-

version costs for computer applications have always been time-consuming and expensive, frequently involving expenses equal to the cost of the computer itself, the author says. In this article, he describes a new coding technique that will go far to reduce the time and expense involved—a technique in which the complicated code signals that describe a particular sequence of operations are replaced by a simple English verb, which is translated by the computer itself into a whole routine of instructions.

PRODUCTION

INDUSTRY'S WAR ON WEAR. By Melvin Mandell. *Dun's Review and Modern Industry* (99 Church Street, New York 8, N.Y.), November, 1958. 75 cents. Today's faster, increasingly automated, and often staggeringly costly machinery represents a large outlay for a manufacturing company, the author observes, and top management is taking an increasingly active role in industry's fight against machine wear. In this article, he discusses some of the aspects of wear that are receiving closer scrutiny and includes a check list to aid the manager in guarding his investment in equipment.

1959 PRODUCTION PLANBOOK AND BUYERS' GUIDE. *American Machinist* (330 West 42 Street, New York 36, N.Y.), Mid-September, 1958. \$2.00. This special issue contains a compilation of the production ideas that have appeared in *American Machinist* and some other publications since July 1, 1957. In addition to providing a comprehensive listing of the thousands of manufacturers who make the products used in metalworking, special sections cover such areas as technical information; a buyers' guide to tools, machines, processing equipment, basic materials, and components; and forecasts of the immediate and long-term future.

ELECTROMECHANICAL SYSTEM AIDS CENTRALIZED PRODUCTION CONTROL.

By Fred C. Janke. *Automation* (Penton Building, Cleveland 13, Ohio), September, 1958. \$1.00. By installing a system that links all its presses, machine tools, subassembly stations, and other production stations to a central information office, the author reports, one company (Hancock Mfg. Co., Jackson, Mich.) was able to save enough in less than a year through reduction of their indirect labor payroll alone to more than pay for the entire control system. This article describes the features of this system, which not only provides a continuous communications network between each operator, his foreman, and the dispatcher, but also acts as a registration system of parts produced and time elapsed.

INSPECTION TODAY. *Factory Management and Maintenance* (330 West 42 Street, New York 36, N.Y.), October, 1958. \$1.00. Sixty makers and users of inspection equipment tell how they're solving today's problems in product inspection and how they see the problems of tomorrow. Emphasis is on the development of more reliable inspection equipment to meet the mounting demand for precision—today's chief need, in the opinion of both makers and users.

MARKETING

FAMILY BUYING-DECISIONS: WHO MAKES THEM, WHO INFLUENCES THEM? *Printers' Ink* (635 Madison Avenue, New York 22, N.Y.), September 19, 1958. 25 cents. Presents the highlights of the recent conference on consumer behavior at the University of Michigan at which 50 of the country's top researchers analyze the factors—not necessarily economic—that mold family buying habits. Among the findings: Buying is much more a family affair among middle-income groups than it is at either the high- or low-income end of the economic scale.

IT'S YOUR JOB TO MANAGE RESEARCH By Harper W. Boyd, Jr., Ralph Westfall, and Richard C. Christian. *Sales Management* (386 Fourth Avenue, New York 16, N.Y.), October 17, 1958. 50 cents. A manager is paid to recognize and solve problems, the authors point out, and marketing research can be of great help to him—but only if the research group knows what management wants to accomplish. In this article, they describe how to get the best use from a research unit in the five areas in which it can be of greatest help: (1) to find out if something is wrong; (2) to determine why it is wrong; (3) to find various ways by which the situation can be corrected; (4) to select the best way to correct the situation; and (5) to determine whether the "best" way actually did correct the problem.

POSTAGE HIKES AND DIRECT MAIL: TEST OF STRENGTH FOR A SEASONED MEDIUM. *Printers' Ink* (635 Madison Avenue, New York 22, N.Y.), September 5, 1958. 25 cents. The effects of the increases in postal rates will vary by type of advertiser and kind of direct-mail advertising, this article points out, with advertisers who mail expensive pieces to small or highly selective lists of prospects being the least affected, and

those for whom the postage charge is a large proportion of the total cost of the piece feeling the raises most strongly. This article describes how direct-mail advertisers are taking steps to offset the rate rises by using cheaper classes of mail, reducing the weight of mailings, and increasing the mechanization of their operations, but especially by concentrating on testing and upgrading the design and content of mailing pieces to improve their effectiveness and boost the returns of each campaign.

TOMORROW'S MEDIA COSTS: UP 3.4% NEXT YEAR. *Tide* (386 Fourth Avenue, New York 16, N.Y.), September, 1958. 75 cents. This third consecutive analysis of the price trends in nine important advertising media indicates that the average yearly rise in all media costs seems to be stabilizing at about 3 per cent. Magazines, newspapers, and spot radio will probably increase more in 1959 than in 1958, but network radio and spot TV will remain at about the same level, and business publications, car-cards, outdoor, and network TV will rise less than in 1958, according to this projection, which analyzes the trends in each media and discusses the outlook for the future.

WHERE DO WE GO FROM HERE? By Dick Hodgson. *Industrial Marketing* (200 East Illinois Street, Chicago 11, Ill.), September, 1958. 50 cents. Lots of changes are ahead for industrial advertising, according to this report of the opinions of 20 prominent industrial admen on the outlook for 1959. Among the developments they see: a heavy influx of new products to be advertised, as a result of stepped-up research and development activity this year; an upswing in advertising budgets, with greater selectivity in the allocation of advertising dollars and in the choice of media; and renewed emphasis on "corporate image" advertising.

FINANCIAL

HOW TO EVALUATE NEW CAPITAL INVESTMENTS. By John G. McLean. *Harvard Business Review* (Soldiers Field, Boston 63, Mass.), November-December, 1958. Reprints \$1.00. A case study of how one company (Continental Oil Co.) applies the discounted-cash-flow method to the problems of evaluating and comparing new investment projects. In addition to explaining the techniques used by the company, the author presents a series of concrete examples of their application that can serve as models for other managers involved in related situations. Illustrated with graphs.

ECONOMIC YARDSTICKS IN MANAGEMENT REPORTS. By John H. Kempster. *N.A.A. Bulletin* (505 Park Avenue, New York 22, N.Y.), September, 1958, Section I. 75 cents. Discusses and illustrates economic yardsticks which can be used to give managers within a company some kind of framework for evaluating company operating results. Yardsticks are proposed for four key areas: the long-run trend of company

sales in relation to national business and population trends; current sales as measured against budgets and competition; factory performance and productivity; and earning power—including profit margins, net profits, return on investment, and dividends.

CURRENT TRENDS IN FRINGE BENEFITS. By Matthew F. Blake. *The Journal of Accountancy* (270 Madison Avenue, New York 16, N.Y.), September, 1958. 85 cents. If fringe benefits are to continue to grow as an important factor in collective bargaining and employee compensation, says the author, the tax effects on both employer and employee must be studied carefully. In this article, he discusses the tax advantages and disadvantages of various types of benefits, in plans that are qualified under the revenue code and in some that are not qualified, including life insurance programs, pension plans and profit sharing, supplementary unemployment benefits, and deferred compensation.

RESEARCH AND DEVELOPMENT

PRECISION INSTRUMENTS: A KEY TO WORLD POWER. By Ray Cromley. *Commerce* (30 West Monroe Street, Chicago 3, Ill.), September, 1958. 35 cents. We have now reached a stage, says the author, where most segments of U.S. industry need better instruments to measure heat, pressure, frequency, and forces to do a better production job—and these instruments aren't being developed rapidly enough. In this article, he describes the National Bureau of Standards program aimed at breaking that bottleneck and developing better instruments to measure such things as sound waves; properties of yarns, fibers, and fabrics under strain; behavior of plastics on exposure to heat, oxygen, moisture, and nuclear radiation; effects of high temperatures on alloys

and other materials; and strength of new materials used in construction of buildings.

BUDGETING FOR RESEARCH AND DEVELOPMENT IN A MANUFACTURING DIVISION. By S. Stuart Bruce. *N.A.A. Bulletin* (505 Park Avenue, New York 22, N.Y.), September, 1958, Section I. 75 cents. Unlike many other major cost items, expenditures for research and development are controlled largely by management judgment and decision, without reference to current operating requirements or business volume. This article presents guides used at one of Eastman Kodak's manufacturing divisions for establishing R&D budgets and evaluating budget performance on as objective a basis as possible.



SURVEY OF BOOKS FOR EXECUTIVES

THE ADMINISTRATIVE PROCESS. By Robert H. Roy. The Johns Hopkins Press, Baltimore, 1958. 236 pages. \$5.00.

*Reviewed by Lawrence Stessin**

Robert Roy's book, *The Administrative Process*, will make many people uncomfortable. The cultists who are laboring so mightily (and so verbosely) to clothe the management function in a mantle of scientific precision are likely to dub Mr. Roy an able performer who still requires some seasoning in the minor leagues before he can qualify as a "pro." The business executive who has sold his heritage of intuition, instinct, "feel," insight, and inspiration, the tools of the decision-making process, for a pottage of rigid formulas and laws is also unlikely to take Mr. Roy's almost crackerbarrel observations with grace and aplomb.

For one thing, as a contributor to theory, principles, and practices, Mr. Roy is a newcomer to the administrative fraternity. He is Dean of Engineering of Johns Hopkins University. With that kind of an occupational handle, one would expect him to be

a bit more respectful of his own title and status. Instead, Dean Roy appears to have written this book while seated in an easy chair, puffing on a favorite pipe and maybe, like Will Rogers, twirling a lariat for diversion. This, of course, is sheer speculation; but it is a fact that the author set most of the type for this little volume by his own hand. Just what this means in terms of hostility, aggression, and protest against "The Machine," I shall leave to the Freudians. But one must admit that here is an unusual man with some unusual things to say about business administration.

Administration, says the good Dean, is not a science; and the chances of its ever coming close to a slide-rule state are very, very slim. It's just not in the cards for a procedure which is so weighted down with variables, and one which can never be reproduced twice in the same way in experimental environments, to yield to the exactness of the scientific method. What Dean Roy is contending is that the administrator is an artist, and not a scientist, and that he should enjoy his lofty status. Like the conductor of a symphony, the top business executive must induce, inspire, and

* Professor of Management, Hofstra College, Hempstead, New York.

cajole a group of talented prima donnas so that they end up playing in unison. This is the essence of coordination—a thing not easily distilled into a simple (or complex) formula. The executive who can attribute his success in business to “good judgment” should not be ashamed of such homely virtue. If these pointers have been made before, they have not been said with Dean Roy’s homespun touches, which are given added warmth and color by his account of some of his own experiences in the administrative jungle.

Dean Roy’s attitude is not altogether on the folksy side, however. He can give a stern lecture, too. For example, on delegation, he says:

All of us want to feel important to others and to ourselves; all of us are impelled by drives—or whatever the right word is—which govern our behavior. More often than not, I suppose, these forces are so subtle as to be concealed from ourselves as well as from others, and we proceed to hold and to grab authority quite subconsciously. Whatever the reasons, executives do retain more power than they should. By doing so they enhance their sense of importance, they strengthen their grip upon organization, they make their subordinates dependent upon them, they raise and maintain their status, and they compensate for their own inward insecurities. The big “I am” is a familiar figure in organizations everywhere; I am talking about the medium and little “I am” too.

Dean Roy goes on to advocate a “let George do it” movement to the “aggrandizement of George and the betterment of the organization.” The ability to delegate, in the author’s

opinion, is the essence of business wisdom. The reluctance to delegate is often a fear to let go of the trivia and the routine things; the executive insists on doing these himself, even though he may realize that they are small and insignificant duties.

“The characteristic of those who will not delegate is their eternal busyness,” says the author.

Lest his wise words on delegation start a movement among executives to let go the reins, Dean Roy extends a halting hand. If you decide to delegate, prepare yourself for mistakes by subordinates. Some bad decisions are inevitable; but the superior’s attitude toward this unhappy event will determine the subordinate’s future effectiveness.

Dean Roy’s book will not go down as one which hews new paths through the administrative forests. He is concerned with approaches more than with principles. What he is saying, in effect, is that blind “followership” of administrative rules causes a hardening of the organizational arteries. A business organization needs flexibility, with its brass acting like human beings, not as though they have been sired by a computer.

THE EUROPEAN COMMON MARKET: New Frontier for American Business. American Management Association, New York, 1958. 220 pages. \$6.00.

*Reviewed by William H. Mathers**

Few political or economic developments have received more wide-

* Vice President and Secretary, The Yale and Towne Manufacturing Company.

spread comment than the establishment of the European Economic Community, usually referred to as the "Common Market." The actual taking of this momentous step towards supranational organization and international unity may well be one of the decisive events in history. The realities of trade, currency imbalances, capital inadequacies, power deficiencies, labor needs, competition, and the rise of industrialization are the pressures which have led European statesmen to follow the Common Market road. The agreement among the six nations to remove the major barriers to trade as a matter of economic necessity may eventually result in a political union of different peoples that has been the goal of fervent idealists for many years.

It is now clear that the Common Market, as it moves progressively toward its ultimate implementation, will have a very considerable impact on American business. The six Western European signatories to the agreement constitute one of America's most important trading and investment areas. Awareness of this fact led the American Management Association to sponsor a conference on the Common Market last spring. This volume contains the detailed papers and reports presented at the conference. It furnishes an authoritative analysis of the Common Market agreement and of its long-term implications.

The foreword by Walter Hallstein, President of the Commission of the European Economic Community, introduces a collection of papers written by a highly distin-

guished group of business executives, economists, attorneys, public relations experts, and European statesmen closely connected with the Common Market organization. The contributors include George W. Ball, Frank Bauer, Fernand Spaak, Howard S. Piquet, Paul Vornle, John R. Allison, A. T. Knoppers, J. Wilner Sundelson, and Robert Marjolin.

The detailed reports cover the history and background of the Common Market, the specific provisions of the treaty itself, a review of the European Coal and Steel Community (one of the forerunners of the Common Market), an appraisal of the implications which such economic integration may have for United States industry, the various means available to the foreign entrepreneur by which he may participate in the Common Market, a discussion of foreign financing institutions, and presentations of the opportunities and handicaps for United States business. Many of the articles include charts and statistical tables that afford a clear and dramatic picture of the potential of this new economic entity. An exhaustive index affords easy access to specific sections of the book, and a supplement is attached summarizing the Common-Market treaty with its protocols in outline form.

No reader of this book can fail to become aware of the far-reaching impact of the economic and perhaps political integration taking place in Europe today. The amount of research which has been done by the group of authors is enormous. Information and forecasts are presented without bias, and the tone of criticism

that so often accompanies an appraisal of foreign undertakings is noticeably absent. Analyses are set down in a clear, uncolored, and scholarly manner.

Another point that will impress the reader is the optimistic tone pervading each paper. The experts presenting their particular subjects appear to have no doubt that the Common Market will achieve successful fruition. While recognizing that the implications and changes envisaged by the Common Market may be disturbing, they seem to have no profound fears as to its impact and recognize as the foremost factor the many new opportunities it presents. Although the collection of material included in this book is primarily a businessman's approach to an analysis of the Western European community, its broad scope gives an insight into European thinking and a sense of the social and economic revolution that is now taking place in Europe.

Not only businessmen, but all Americans concerned with the future of the world will be stimulated by this book of thoughtful individual appraisals of the stature of a new Europe in the making.

TARGETING SALES EFFORT.

By Charles W. Smith. Columbia University Press, New York, 1958. 396 pages. \$15.00.

*Reviewed by Albert Haring**

This book aims at helping marketers of nationally distributed prod-

ucts target their sales efforts more efficiently. During the past two decades, a number of systems of analyzing markets by cities, counties, or other areas have been used; the author of this book recommends analysis by trading center. This method is based on the assumption that each major population center in the United States serves as a primary shopping area for the residents of a small surrounding tributary area, and that these trading areas can be grouped into a relatively small number of centers because they have in common certain commercial characteristics that are reflected in population and retail sales volume statistics.

The techniques presented in this book appear to be recommended by the consulting firm of McKinsey and Company, which has been experimenting with them among its clients for some years. Mr. Smith, who is senior consultant of the firm, has played a leading role in creating the techniques and procedures that he describes.

On the basis of population, retail sales volume, and number of retail establishments, Mr. Smith divides the country into nine trading centers, six urban and three rural—a classification that will undoubtedly be helpful to companies that have not made detailed area analyses of their markets and compared them with their sales figures. Companies already using some area method for this purpose may have some doubt as to whether the trading-center system is better than the one they are now using. For some producers of consumer goods, the trading-center method would seem to be ideal; for others,

* Professor of Marketing, Indiana University.

alternate techniques may be equally desirable. The main thing, of course, is to have *some* systematic method of comparing internal sales data with the market-potential segments of the country.

In the trading-center method of market analysis, the country is broken into the nine trading-center groupings already mentioned, and a suitable yardstick for measuring sales potential is selected. For one company, this may be retail sales; for another, consumer income; for a third, a combination of several indices may be used. The sales data of the company and the information pertaining to the potential are then accumulated on the basis of the nine groups of trading centers.

To simplify this procedure, a six-digit code is provided for each trading center. This identifies the type of center and also lists the areas in order of market importance. The application of the company's sales data through additional coding and the handling of market potential information are described in detail. The method of applying the market-analysis procedure through the use of IBM equipment or more complicated electronic equipment is also clearly described. For ease of application, the trading centers of the country have been coded according to the recommended system and listed with the McKinsey code. The population, the number of retail establishments, the retail sales figures, and the countries involved in each trading center are also given, resulting in 23 pages of carefully written text with 373 pages of tabular material.

Such a method of analyzing company sales data and matching it with market potential permits the comparison of one market against a reasonably similar counterpart. In turn, a more valid evaluation of sales performance can be determined. Strong and weak points in market coverage are thus pinpointed, and advertising coverage can be evaluated against sales potential and sales performance. (Of course, these and many other analyses are also possible with any other adequate system of comparing internal sales records with market potential, area by area.)

While it is difficult to evaluate the trading-center method of market analysis as compared with other possible methods, there can be no doubt that it is a sound and useful one. Certainly, the detailed presentation of the techniques involved makes it much easier to estimate the cost of installing this particular system; and since marketing men have recently become much more cognizant of the fact that each city is a local magnet for trade from the surrounding area, the trading-center concept described in this book and its application to marketing analysis should be of interest to many companies.

Regardless of whether an individual company selects this specific method of market analysis, the idea of combining markets into nine groups of trading centers is well worth serious consideration. In addition, the technique of application is so well described that any company should find it easy to assess the value of the method in relation to its own particular needs.

Briefer Book Notes

(Please order books directly from publishers)

FINANCIAL

SOUND BUSINESS PURPOSE. By Robert S. Holzman. The Ronald Press Company, New York, 1958. 208 pages. \$10.00. An analysis of the doctrine of sound business purpose which presents the leading taxpayers' arguments, along with the courts' appraisal of their validity. The cases cover corporate reorganization, distributions essentially equivalent to dividends, reallocations, entities, and numerous other situations. Various steps are suggested to establish and to prove the existence of a sound business purpose.

INTERNAL AUDITING. By Victor Z. Brink and James A. Cashin. The Ronald Press Company, New York, 1958. Second Edition. 478 pages. \$6.75. This revised edition of a textbook first published in 1941 has been expanded and reorganized to meet present-day needs. Greater coverage is given to the processes of acquisition, handling, and disposition, with less emphasis on the verification phase. A new section on operating activities and material on electronics and statistical sampling have been added.

INCOME GROWTH WITH SECURITY: The Formula-Plan Solution. By Sherman F. Feyler. The Macmillan Company, New York, 1958. 189 pages. \$4.95. A practical guide to the formula-plan approach to investment timing. The author discusses equalization and variable-ratio plans, dollar averaging, formula planning for the small investor, and the limitation of the formula plan method.

THIN CAPITALIZATION. By Martin M. Lore. The Ronald Press Company, New York, 1958. 261 pages. \$10.00. This volume analyzes the problem of thin capitalization from the points of view of the validity of capitalization and recapitalization, interest deduction, bad-debts treatment, and stockholder-guaranteed loans. Leading cases are analyzed in terms of the amount and ratio of debt to stock, valuation of underlying assets, business purpose, and the intent test.

NEW FEDERAL ESTATE TAX REGULATIONS. Commerce Clearing House, Inc., Chicago, Ill., 1958. 112 pages. \$1.50. This booklet contains the new federal estate regulations filed in June of this year. Significant areas covered include credits against tax, valuation, gross estate, exemptions and deductions, estates of nonresidents not citizens, and procedure and administration. A topical index is included.

PRINCIPLES OF FINANCE. By Carl A. Dauten and Merle T. Welshans. South-Western Publishing Company, Cincinnati, Ohio, 1958. 596 pages. \$6.50. This introductory textbook surveys the field of finance, emphasizing current problems as well as basic principles. The main areas covered are short-term business financing, long-term business financing, financing special areas, financing the consumer, the monetary system, and monetary policies and problems.

15 MAJOR CURRENT TAX PROBLEMS ANALYZED. The Journal of Taxation, Inc., New York, 1957. 257 pages. \$4.95. This volume contains papers presented at the Fourth Annual Institute on Taxation of the Texas Society of Certified Public Accountants. The problems discussed relate to such matters as doubtful nonbusiness deductions under the 1954 Code, executive compensation in a closely held corporation, and the increased volume of foreign trade and investment.

CREDIT MANAGEMENT HANDBOOK. Edited by the Credit Research Foundation. Richard D. Irwin, Inc., Homewood, Ill., 1958. 776 pages. \$12.00. Designed as a reference and guide for credit managers, this handbook covers all aspects of commercial credit. Among the topics discussed are the organization of the credit department, credit training, analysis, systems and procedures, credit reporting agencies, legal aspects, and foreign credit. Numerous figures and tables are used throughout.

ACCELERATED AMORTIZATION. By David A. Thomas. Bureau of Business Research, School of Business Administration, University of Michigan, Ann Arbor, Mich., 1958. 104 pages. \$5.00. This monograph analyzes accelerated tax amortization as an incentive to investment in emergency facilities during periods of international tension. The author examines such areas as the risk in owning defense facilities, the role of accelerated tax amortization in three periods of use, the industry-wide percentage provision, tax effects, and cost aspects and the bargaining range.

CASES IN CONTROLLERSHIP. By Russell H. Hassler and Neil E. Harlan. Prentice-Hall, Inc., Englewood Cliffs, N.J., 1958. 354 pages. \$6.95. Developed for use at the Harvard Business School, the cases in this volume illustrate the controller's function in collecting, analyzing, and interpreting information for management. The nature of the controller's function, internal control and internal audit, accounting policy, and the role of financial management in the management process are the four main areas covered.

QUASI-REORGANIZATION. By James S. Schindler. Bureau of Business Research, School of Business Administration, University of Michigan, Ann Arbor, Mich., 1958. 176 pages. \$5.00. In this monograph, the author analyzes the quasi-reorganization concept as an alternative to the historical cost basis of financial reporting. Among the topics discussed are the limitations of present accounting procedures, revaluations upward of the 1920's and devaluations and adjustments of the 1930's, and the development of standards and procedures underlying a quasi-reorganization.

BUSINESS BUDGETING: A Survey of Management Planning and Control Practices. By Burnard H. Sord and Glenn A. Welsch. Controllershship Foundation, Inc., New York, 1958. 367 pages. \$12.50. A report on the budgeting policies and practices of several hundred leading companies, based on interviews and questionnaires. Among the aspects covered are establishing and approving profit objects, developing a detailed plan of operations, communicating objectives, long-range planning and forecasting, developing standards of performance, control, and coordination. A discussion of the management functions of planning and controlling is appended.

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December 15-16	SPECIAL MARKETING CONFERENCE on the District Sales Manager	Palmer House, Chicago
January 14-16	SPECIAL RESEARCH & DEVELOPMENT CONFERENCE: Gearing Research and Engineering to Profit Goals	Roosevelt Hotel, New York
January 21-23	SPECIAL PACKAGING CONFERENCE: Plastic Packaging Today	Biltmore Hotel, New York
January 26-28	WEST COAST GENERAL MANAGEMENT CONFERENCE	Statler Hotel, Los Angeles
February 2-4	INTERNATIONAL MANAGEMENT CONFERENCE	Roosevelt Hotel, New York
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February 23-25	SPECIAL RESEARCH AND DEVELOPMENT CONFERENCE: Planning, Producing, and Promoting New Products	LaSalle Hotel, Chicago

To register or to obtain additional information on any of the conferences listed above please contact Department M12, American Management Association, 1515 Broadway, New York 36, N.Y.

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